

# **CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

## **ANNUAL FINANCIAL REPORT**

For the Year Ended December 31, 2008

CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT  
PO Box 188 Scandia Place II  
21150 Ozark Avenue  
Scandia, Minnesota 55073

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2008

### Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
<b>Organization</b>	1
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b>	2
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements -	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements -	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds	8
Notes to the Financial Statements	12
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule -	
General Fund	18
Note to RSI	19
<b>Individual Fund Financial Statements:</b>	
General Fund -	
Comparative Balance Sheet	20
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	21

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2008

### ORGANIZATION

#### **Board of Managers:**

Steven Kronmiller, President

Victoria Dupre, Secretary/Treasurer

John Bower

Richard Caldecott

Jason Husveth

John Lennes

Thomas Polasik

#### **District Administrator:**

Jim Shaver



# AHOLA, MACK & ASSOCIATES, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

1815 Northwestern Avenue South • Suite 4 • Stillwater, MN 55082  
Phone (651) 430-1064 • Fax: (651) 430-1588 • www.aholamackcpa.com

## Independent Auditor's Report

To the Board of Managers  
Carnelian-Marine-St. Croix Watershed District  
Scandia, Minnesota 55073

We have audited the accompanying financial statements of the governmental activities and each major fund of Carnelian-Marine-St. Croix Watershed (the District) as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Carnelian-Marine-St. Croix Watershed District as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Managements' Discussion and Analysis and the budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. However, the District has presented the budgetary comparison information which is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carnelian-Marine-St. Croix Watershed District's basic financial statements. The introductory section and individual fund financial statements as listed in the table

of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Ahola Mack & Associates*

Ahola, Mack & Associates, Ltd.  
Stillwater, Minnesota 55082  
May 26, 2009

**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**Statement of Net Assets**

December 31, 2008

	Primary Government	
	Governmental Activities	
	2008	2007
<b>ASSETS</b>		
Cash and investments	\$ 437,642	\$ 401,210
Property taxes receivable:		
Due from county	17,915	11,085
Delinquent	43,084	54,770
Prepaid rent	406	406
Capital assets - net		
Nondepreciable	40,833	40,305
Total assets	539,880	507,776
 <b>LIABILITIES:</b>		
Accounts payable	67,212	79,609
Payroll liabilities	10,153	-
Surety deposits payable	49,193	49,605
Total liabilities	126,558	129,214
 <b>NET ASSETS:</b>		
Invested in capital assets	40,833	40,305
Unrestricted	372,489	338,257
Total net assets	\$ 413,322	\$ 378,562

See accompanying notes to the financial statements.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## Statement of Activities

For the Year Ended December 31, 2008

Functions/Programs	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary Government	
					Totals	
					<u>2008</u>	<u>2007</u>
Primary government						
Governmental activities:						
General government	\$ 232,098	\$ 12,104	\$ -	\$ -	\$ (219,994)	\$ (178,224)
Projects	<u>264,133</u>	<u>-</u>	<u>19,911</u>	<u>-</u>	<u>(244,222)</u>	<u>(200,075)</u>
Total	<u>\$ 496,231</u>	<u>\$ 12,104</u>	<u>\$ 19,911</u>	<u>\$ -</u>	<u>(464,216)</u>	<u>(378,299)</u>
General revenues:						
Property taxes					495,456	327,145
Unrestricted investment earnings					<u>3,520</u>	<u>7,732</u>
Total general revenues					<u>498,976</u>	<u>334,877</u>
Change in net assets					34,760	(43,422)
Net assets - January 1					<u>378,562</u>	<u>421,984</u>
Net assets - December 31					<u>\$ 413,322</u>	<u>\$ 378,562</u>

See accompanying notes to the financial statements.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## Balance Sheet Governmental Funds

December 31, 2008

	<u>General Fund</u>	<u>Watershed Maint. Fund</u>	<u>Survey &amp; Data Fund</u>	<u>Total Governmental Funds</u>	
				<u>2008</u>	<u>2007</u>
<b>ASSETS</b>					
Cash and investments	\$ 437,642	\$ -	\$ -	\$ 437,642	\$ 401,210
Taxes receivable:					
Due from county	17,915			17,915	11,085
Delinquent	43,084			43,084	54,770
Prepaid rent	406	-	-	406	406
Total assets	<u>\$ 499,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,047</u>	<u>\$ 467,471</u>
 <b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 67,212	\$ -	\$ -	\$ 67,212	\$ 79,609
Payroll liabilities	10,153			10,153	-
Surety deposits payable	49,193			49,193	49,605
Deferred revenues	48,084	-	-	48,084	73,214
Total liabilities	<u>174,642</u>	<u>-</u>	<u>-</u>	<u>174,642</u>	<u>202,428</u>
 <b>FUND BALANCE:</b>					
Undesignated	<u>324,405</u>	<u>-</u>	<u>-</u>	<u>324,405</u>	<u>265,043</u>
Total fund balance	<u>324,405</u>	<u>-</u>	<u>-</u>	<u>324,405</u>	<u>265,043</u>
 Total liabilities and fund balance	 <u>\$ 499,047</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 499,047</u>	 <u>\$ 467,471</u>
 Fund balance reported above				 \$ 324,405	 \$ 265,043
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.				40,833	40,305
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				<u>48,084</u>	<u>73,214</u>
Net assets of governmental activities				<u>\$ 413,322</u>	<u>\$ 378,562</u>

See accompanying notes to the financial statements.



**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

For the Year Ended December 31, 2008

	General <u>Fund</u>	Watershed <u>Maint. Fund</u>	Survey & <u>Data Fund</u>	<u>Total Governmental Funds</u>	
				<u>2008</u>	<u>2007</u>
<b>REVENUES:</b>					
General property taxes	\$ 507,141			\$ 507,141	\$ 328,671
Intergovernmental	33,355			33,355	54,880
Permits	12,104			12,104	10,379
Investment income	<u>3,520</u>	<u>-</u>	<u>-</u>	<u>3,520</u>	<u>7,732</u>
Total revenues	<u>556,120</u>	<u>-</u>	<u>-</u>	<u>556,120</u>	<u>401,662</u>
 <b>EXPENDITURES:</b>					
General government	232,098			232,098	188,603
Projects	<u>248,450</u>	<u>15,062</u>	<u>621</u>	<u>264,133</u>	<u>259,955</u>
Total expenditures	<u>480,548</u>	<u>15,062</u>	<u>621</u>	<u>496,231</u>	<u>448,558</u>
 <b>REVENUES OVER EXPENDITURES</b>	75,573	(15,062)	(621)	59,890	(46,896)
 <b>FUND BALANCE - January 1</b>	249,360	15,062	621	265,043	311,939
<b>Invested in capital assets</b>	<u>(528)</u>	<u>-</u>	<u>-</u>	<u>(528)</u>	<u>-</u>
 <b>FUND BALANCE - December 31</b>	<u>\$ 324,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,405</u>	<u>\$ 265,043</u>

See accompanying notes to the financial statements.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$ 59,890	\$ (46,896)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
General property taxes deferred revenue:		
At January 1	(54,770)	(56,296)
At December 31	<u>43,084</u>	<u>54,770</u>
	<u>(11,686)</u>	<u>(1,526)</u>
Intergovernmental deferred revenue:		
At January 1	(18,444)	(13,444)
At December 31	<u>5,000</u>	<u>18,444</u>
	<u>(13,444)</u>	<u>5,000</u>
Change in net assets of governmental activities	<u>\$ 34,760</u>	<u>\$ (43,422)</u>

See accompanying notes to the financial statements.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

### **Note 1: Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Carnelian-Marine-St. Croix Watershed District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America applicable to governmental units and have been consistently applied in the preparation of the financial statements.

#### **Financial Reporting Entity**

The District was established on June 22, 1981 in accordance with Minnesota Statutes, Chapter 112. The affairs of the District are governed by a Board of Managers (the Board) composed of seven members appointed by the Washington County Board of Commissioners to three-year terms of office.

The purpose of the District is to cooperate with and assist governmental agencies, municipalities, and citizens within the District to conserve the District's natural resources through water management and to serve as the focal point for the collection of all water-related data within the District.

Watershed districts are required to adopt watershed management plans which establish the district's goals and objectives. To implement the plan, watershed districts may adopt rules and regulations and permit certain activities in the district. Projects are funded through the watershed district's taxing authority and, for projects initiated by citizen petitions, by special assessments.

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity include the primary government and its component units. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District (primary government) does not have any component units nor is it a component unit of any other governmental unit.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

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

### 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*. 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. The District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The district reports the following major governmental funds:

General fund - is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenditures and for the construction and maintenance of projects of common benefit to the District.

Watershed Maintenance fund – was established to account for maintenance of the Districts waterways.

Survey & Data fund - was established to account for survey and data acquisition expenses financed by property taxes levied specifically for this purpose.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds 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

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

### Budgets and Budgetary Accounting

The Board adopts a budget for the general government operations of the District on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The Board annually adopts a tax levy for collection during the calendar year. The District's records are maintained on a calendar year ending December 31.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process.

The District prepares a revenue and expenditure budget for the District's General Fund only. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

### Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in authorized investments. The District has adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". In accordance with the provisions of GASB Statement No. 31, the District reports investments at fair value, based upon quoted market prices, in the financial statements. In accordance with the provisions of GASB Statement No.31, the District has reported all investment income, including changes in fair value of investments, as revenue to the operating statements.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet.

### Property Tax Revenue Recognition

The District annually adopts a tax levy and certifies it to the County in October (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the District, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. Delinquent taxes collected by the County in November and December are received by the District the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Government-Wide Financial Statements – The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

Governmental Fund Financial Statements – The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December and January are recognized as revenue for the current year. The taxes collected by the County by December 31 and remitted to the District the following January and the taxes and credits not received at the year end are shown as Due from county and Delinquent taxes receivable. The portion of delinquent taxes not collected by the District in January are fully offset by deferred revenue because they are not available to finance current expenditures.

### Inventories

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. None of the District's funds maintain significant amounts of inventories of materials and supplies.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental 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 \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

No depreciation is calculated on general fixed assets.

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

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation had historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District implemented the general provisions of GASB Statement No. 34 in 2008 and has elected not to report infrastructure assets acquired in years prior to 2004.

The District did no acquire any infrastructure assets during 2008.

### Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, with a maximum of 5 unused days permitted to be rolled over to the next year. All vacation and sick pay benefits that are vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditure/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect the amounts reported in financial statements during the reporting period. Actual results could differ from such estimates.

## **Note 2: Deposits and Investments**

### A. Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the Board, 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% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bond;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) 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;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) 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
- f) Time deposits that are fully insured by any federal agency.

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

**Custodial Credit Risk-Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledges must equal 110% of deposits not covered by insurance or bonds.

At year end the carrying amount of the District's deposits was \$437,642 and the bank balance was \$456,405.79. The entire bank balance was covered by federal depository insurance or collateral held by the District's agent in the District's name.

### **B. Investments**

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-back securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follow:
  - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
  - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
  - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptances of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements 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; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469178, subdivision 5; or 475.61, subdivision 6.

The District did not invest in any of the above listed investments during 2008.

### **Note 3: Receivables**

Significant delinquent property taxes receivable in the amount of \$38,084 are not expected to be collected within one year of December 31, 2008.



**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2008

**Note 4: Deferred Revenues**

Governmental funds report deferred revenue 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 revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$43,084	\$ -
Unearned revenue (General Fund)	<u>5,000</u>	<u>-</u>
<b>Totals</b>	<b><u>\$48,084</u></b>	<b><u>\$0</u></b>

**Note 5: Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Furniture	\$1,931	\$0	\$0	\$1,931
Equipment	18,360	0	0	18,360
Computer Equipment	4,905	528	0	5,433
Easements	<u>15,109</u>	<u>0</u>	<u>0</u>	<u>15,109</u>
<b>Total</b>	<b><u>\$40,305</u></b>	<b><u>\$528</u></b>	<b><u>\$0</u></b>	<b><u>\$40,833</u></b>

**Note 6: Defined Benefit Pension Plans-Statewide**

**A. Plan Description**

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PERFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statute, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

### B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. Contribution rates in the Coordinated Plan will increase in 2009 to 9.4%. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2009. The District's contribution to the Public Employees Retirement Fund for the years ending December 31, 2008 and 2007 were \$4,777 and \$0 respectively, equal to contractually required contributions for each year as set by state statute.

### Note 7: Long-Term Leases

In December of 2001, the Board entered into an operating lease to rent space for an office for the District. The term of the lease was for two years. The term has been extended periodically and currently expires March 31, 2009. Future lease payments are as follows:

2009	<u>\$ 1,218</u>
Total Future Lease Payments	<u>\$ 1,218</u>

### Note 8: Contingencies

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

### Note 9: Risk Management

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Property and casualty liabilities are insured. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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

# CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

### **Note 10: Public Education**

The District provides community education services, including preparing brochures and organizing site tours and seminars with residents on a variety of subjects, such as the Best Management Practice (BMP) Program.

### **Note 11: Landlocked Basin Study**

Landlocked Basin Study was a pilot project whose purpose was to convert topographical maps to arc-view and determine basin sizes, run-out elevations, and map water elevations for Lake Louise, Boot Lake, Fish Lake, Long Lake, Barker Lake, and Staples Lake. In 2000, \$46,700 was received for the study from the Washington County Government Center. The District was to pay the difference if the total expense for the study went over \$46,700. The project was completed in 2008. The activities for the Landlocked Basin study were as follows:

2000	Cash receipt	\$ 46,700
2000	Expense	(27,899)
2001	Expense	(5,357)
2002-2007	Expense	(0)
2008	Expense	(13,444)
Total Deferred Revenue		<u>\$ 0</u>

### **Note 12: Combining of the Carnelian-Marine Watershed District and the Marine Watershed Management Organization**

In June 2007 the Carnelian-Marine Watershed District and the Marine Watershed Management Organization were combined. This change also enlarged the District area to include certain portions of NE Washington County not previously covered by a water management organization (an orphan area). The number of managers was increased from 5 to 7 and the name was changed to Carnelian-Marine-St. Croix Watershed District. These two areas were combined due to recommendations from the Water Governance Study commissioned by the Washington County Board of Commissioners. The goals of the Water Governance Study were:

1. To create a water management structure that will provide long-term protection for surface and ground water resources.
2. To create local water management units with the fiscal capacity and authority to govern efficiently and effectively.
3. To identify financing mechanisms that are fair and adequate to meet the needs of the county.
4. To coordinate surface water, ground water, land-use and natural resources management to provide for a more comprehensive approach to resource management.
5. To adopt a proactive rather than a reactive approach to countywide water governance.
6. To increase the accountability of the water management structure.

Remaining cash funds were transferred from the Marine Watershed Management Organization checking account upon the merger.

**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**Required Supplementary Information  
Budgetary Comparison Schedule - General Fund**

For the Year Ended December 31, 2008

With Comparative Actual Amounts for the Year Ended December 31, 2007

	Budgeted	Actual	Variance with Budget - Positive	2007 Actual
	<u>Amounts</u>	<u>Amounts</u>	<u>(Negative)</u>	<u>Amounts</u>
<b>REVENUES:</b>				
General property taxes	\$ 520,000	\$ 507,141	\$ (12,859)	\$ 328,671
Intergovernmental	5,000	33,355	28,355	54,880
Permits	-	12,104	12,104	10,379
Investment income	-	3,520	3,520	7,732
Total revenues	<u>525,000</u>	<u>556,120</u>	<u>31,120</u>	<u>401,662</u>
<b>EXPENDITURES:</b>				
Projects	<u>342,000</u>	<u>248,450</u>	<u>93,550</u>	<u>259,955</u>
General government -				
Manager expenses	15,000	9,492	(5,508)	13,229
Conferences	-	1,754		1,327
Dues and publications	3,000	5,522	2,522	3,726
Accounting and audit	5,000	6,735	1,735	5,598
Insurance and bonds	7,000	5,670	(1,330)	5,269
Interest expense	-	57	57	-
Meeting minutes and clerical	3,000	3,586	586	3,250
Equipment	10,000	-	(10,000)	-
Office supplies	4,800	7,051	2,251	882
Rent	5,000	5,675	675	5,259
Copying	200	370	170	935
Legal fees	5,000	16,420	11,420	21,665
Staff engineer	40,000	70,505	30,505	119,409
Consulting expense	-	8,000	8,000	8,054
Administrator and benefits	80,000	91,263	11,263	-
Total general government	<u>178,000</u>	<u>232,098</u>	<u>52,344</u>	<u>188,603</u>
Total expenditures	<u>520,000</u>	<u>480,548</u>	<u>145,895</u>	<u>448,558</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>\$ 5,000</u>	75,573	<u>\$ (114,775)</u>	(46,896)
<b>FUND BALANCE - January 1</b>		249,360		311,939
<b>Invested in capital assets</b>		<u>(528)</u>		-
<b>FUND BALANCE - December 31</b>		<u>\$ 324,405</u>		<u>\$ 265,043</u>

# **CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

## **Required Supplementary Information Budgetary Comparison Schedule Note to RSI**

For the Year Ended December 31, 2008

### **Note A - Budgets**

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is a major department level.

**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**General Fund  
Comparative Balance Sheet**

December 31, 2008

With Comparative Amounts for December 31, 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and investments	\$ 437,642	\$ 385,527
Taxes receivable:		
Due from county	17,915	11,085
Delinquent	43,084	54,770
Prepaid rent	<u>406</u>	<u>406</u>
Total assets	<u>\$ 499,047</u>	<u>\$ 451,788</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 67,212	\$ 79,609
Payroll liabilities	10,153	-
Surety deposits payable	49,193	49,605
Deferred revenues	<u>48,084</u>	<u>73,214</u>
Total liabilities	<u>174,642</u>	<u>202,428</u>
<b>FUND BALANCE:</b>		
Undesignated	<u>324,405</u>	<u>249,360</u>
Total fund balance	<u>324,405</u>	<u>249,360</u>
Total liabilities and fund balance	<u>\$ 499,047</u>	<u>\$ 451,788</u>

**CARNELIAN-MARINE-ST. CROIX WATERSHED DISTRICT**

**General Fund**

**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance**

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

<b>REVENUES:</b>	<u>2008</u>	<u>2007</u>
General property taxes	\$ 507,141	\$ 328,671
Intergovernmental	33,355	54,880
Permits	12,104	10,379
Investment income	3,520	7,732
Total revenues	<u>556,120</u>	<u>401,662</u>
<b>EXPENDITURES:</b>		
Projects	<u>248,450</u>	<u>259,955</u>
General government -		
Manager expenses	9,492	13,229
Staff engineer	70,505	119,409
Administrator and benefits	91,263	-
Meeting minutes and clerical	3,586	3,250
Conferences and seminars	1,754	1,327
Dues and publications	3,828	3,726
Insurance and bonds	5,670	5,269
Interest expense	57	-
Office supplies	5,638	882
Printing and reproduction	370	935
Professional fees	31,155	35,316
Pubic notices	1,694	
Rent	5,675	5,259
Telephone and internet	<u>1,412</u>	<u>-</u>
Total general government	<u>232,098</u>	<u>188,603</u>
Total expenditures	<u>480,548</u>	<u>448,558</u>
<b>REVENUES OVER EXPENDITURES</b>	75,573	(46,896)
<b>FUND BALANCE - January 1</b>	249,360	311,939
<b>Invested in capital assets</b>	<u>(528)</u>	<u>-</u>
<b>FUND BALANCE - December 31</b>	<u>\$ 324,405</u>	<u>\$ 265,043</u>