

**CREDIT RIVER TOWNSHIP**  
*ANNUAL FINANCIAL REPORT*  
*FOR THE YEAR ENDED DECEMBER 31, 2003*

**CREDIT RIVER TOWNSHIP**

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**CREDIT RIVER TOWNSHIP  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2003**

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	<u>Position</u>	<u>Term Expires</u>
<b>Elected:</b>		
John Kane	Chair	2004
Dan Casey	Supervisor	2005
Leroy Schommer	Supervisor	2006
Jerry Maas	Clerk	2004
Holly Batton	Treasurer	2005

## INDEPENDENT AUDITOR'S REPORT

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The Honorable Chairman and  
Board of Supervisors  
**Credit River Township**  
Credit River, Minnesota

We have audited the accompanying general purpose financial statements of the **Credit River Township**, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the **Credit River Township's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Town has not maintained fixed assets records and accordingly, we were unable to audit the fixed assets of the general fixed asset account group.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to audit the Town's fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **Credit River Township** at December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the **Credit River Township**. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2004, on our consideration of the **Credit River Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Eide Bailey CPA*

Minneapolis, Minnesota  
February 19, 2004

**CREDIT RIVER TOWNSHIP**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
Cash and investments	\$ 147,351	\$ 354,401	\$ 38,405	\$ -
Taxes and other receivables	5,000	4,000		
Special assessments receivable			143,000	203,000
Due from other governments		3,000		
Due from other funds	103,845			
Amount available for retirement of general long-term debt				
Amount to be provided for retirement of general long-term debt				
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$ 256,196</u>	<u>\$ 361,401</u>	<u>\$ 181,405</u>	<u>\$ 203,000</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 4,451	\$ 8,319		
Deferred revenue	3,000	3,000	143,000	203,000
Deposits payable				
Due to other funds			50,861	52,984
Bonds and loans payable				
<b>Total liabilities</b>	<u>7,451</u>	<u>11,319</u>	<u>193,861</u>	<u>255,984</u>
<b>Equity and other credits</b>				
Fund balance				
Reserved for debt service				
Unreserved				
Designated for capital improvements		151,104		
Undesignated	248,745	198,978	(12,456)	(52,984)
<b>Total equity and other credits</b>	<u>248,745</u>	<u>350,082</u>	<u>(12,456)</u>	<u>(52,984)</u>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<u>\$ 256,196</u>	<u>\$ 361,401</u>	<u>\$ 181,405</u>	<u>\$ 203,000</u>

See Notes to Financial Statements

Fiduciary Fund Type Agency Fund	General Long-Term Debt	Total	
		2003	2002
\$ 131,976	\$ -	\$ 672,133	700,695
1,615		10,615	19,000
		346,000	178,111
		3,000	11,808
		103,845	
	-	-	96,459
	234,900	234,900	80,691
<u>\$ 133,591</u>	<u>\$ 234,900</u>	<u>\$ 1,370,493</u>	<u>\$ 1,086,764</u>
\$ 133,591		\$ 146,361	\$ 43,497
		352,000	177,000
		-	65,422
		103,845	
	234,900	234,900	177,150
<u>133,591</u>	<u>234,900</u>	<u>837,106</u>	<u>463,069</u>
		-	96,459
		151,104	128,044
		382,283	399,192
<u>-</u>	<u>-</u>	<u>533,387</u>	<u>623,695</u>
<u>\$ 133,591</u>	<u>\$ 234,900</u>	<u>\$ 1,370,493</u>	<u>\$ 1,086,764</u>

**CREDIT RIVER TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

	General	Special Revenue
<b>REVENUES</b>		
General tax levies	\$ 181,824	\$ 157,056
Special assessments		
Intergovernmental revenue	10,362	28,167
Licenses and permits	7,832	
Charges for services	14,623	3,000
User fees		82,650
Miscellaneous revenues	5,399	910
Total revenues	<u>220,040</u>	<u>271,783</u>
<b>EXPENDITURES</b>		
Current		
General government	119,576	
Public safety	88,703	
Highways and streets		184,218
Public works	14,190	
Parks and recreation	6,275	500
Fixed and other	6,770	
Debt service		
Capital outlay		
Total expenditures	<u>235,514</u>	<u>184,718</u>
Revenue over (under) expenditures	<u>(15,474)</u>	<u>87,065</u>
Other financing sources (uses)		
Bond and loan proceeds		
Operating transfer in		
Operating transfers out		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Revenue and other financing sources		
Over (under) expenditures		
and other financing uses	(15,474)	87,065
Fund balance at beginning of year	<u>264,219</u>	<u>263,017</u>
Fund balance at end of year	<u>\$ 248,745</u>	<u>\$ 350,082</u>

See Notes to Financial Statements

Debt Service	Capital Projects	Total	
		2003	2002
\$ -	\$ -	\$ 338,880	\$ 291,375
42,539	9,251	51,790	71,049
		38,529	48,835
		7,832	4,087
		17,623	16,050
		82,650	80,500
60		6,369	10,142
<u>42,599</u>	<u>9,251</u>	<u>543,673</u>	<u>522,038</u>
		119,576	93,666
		88,703	76,618
		184,218	139,253
		14,190	19,712
		6,775	17,519
		6,770	8,249
151,514	600	152,114	172,684
	261,635	261,635	-
<u>151,514</u>	<u>262,235</u>	<u>833,981</u>	<u>527,701</u>
<u>(108,915)</u>	<u>(252,984)</u>	<u>(290,308)</u>	<u>(5,663)</u>
	200,000	200,000	-
		-	16,448
		-	(16,448)
<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
(108,915)	(52,984)	(90,308)	(5,663)
96,459		623,695	629,358
<u>\$ (12,456)</u>	<u>\$ (52,984)</u>	<u>\$ 533,387</u>	<u>\$ 623,695</u>

**CREDIT RIVER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Credit River Township was incorporated and operates under a township form of government. The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant policies:

- A. Reporting Entity - For financial reporting purposes, the Town's financial statements include all funds and account groups over which the Town is financially accountable. No component units were combined with the Town's financial report.
- B. Basis of Presentation - The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Town uses the following fund types, fund categories and account groups:

***Governmental Fund Types***

General Fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Project Fund - Capital project funds are used to account for major capital projects.

***Fiduciary Fund Type***

Agency Fund - The Agency Fund is used to account for assets held on behalf of outside parties.

***Account Groups***

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for all town general fixed assets except for property and equipment associated with the operations of proprietary funds.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for all town general obligation long-term debt expected to be financed from governmental fund types.

## NOTES TO FINANCIAL STATEMENTS

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- C. Basis of Accounting - The accounting and reporting associated with a fund is determined by its measurement focus.

All governmental funds and the Agency Fund are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services and interest on investments. Major revenues that are not susceptible to accrual include licenses and permits, fees and miscellaneous revenues; such revenues are recorded only as received because they are not measurable until collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

- D. Budgets and Budgetary Accounting - The Town did not adopt annual budgets for the year ended December 31, 2003.

- E. Cash and Investments - The Town maintains a cash pool that is used by all funds. Each fund's portion of this pool is presented as cash in the combining and individual fund statements. Cash of other town funds and investments are separately held.

Investments consist of time deposits and are stated at cost, which approximates market.

- F. Property Taxes - Property tax levies are set by the Town Board each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the Town at that date. Revenues are accrued in the year collectible, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to cities and other local governments three times a year, in April, June and November.

Taxes, which remain unpaid at December 31, are classified as delinquent tax receivable and are fully offset by deferred revenue in governmental funds because they are not available to finance current expenditures.

- G. Special Assessments - Special assessments are levies against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The Town usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

## NOTES TO FINANCIAL STATEMENTS

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- H. Inventories - The Town had no significant inventories.
- I. Fixed Assets - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, curbs and gutters, streets, drainage systems and lighting systems, and are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.
- All fixed assets are valued at historical cost or estimated historical cost if historical cost is unavailable. Donated fixed assets are valued at their fair market value on the date donated.
- The Town has not maintained detailed records of its fixed assets and historical or estimated historical cost is not available. Accordingly, a General Fixed Asset Account Group is not presented in this report.
- J. Compensated Absences - The Town currently does not provide vacation or sick leave.
- K. Long-Term Liabilities - Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt group, not in the governmental funds. The exceptions to this rule are revenue bonds, which are accounted for in the Enterprise Funds.
- L. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- M. Total Columns on Combined Statements - Overview - Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### NOTE 2 - LEGAL COMPLIANCE

The Town did not adopt a budget for the 2003 year.

The following funds had deficit fund balances as of December 31, 2003:

Debt service funds		
Improvement Bond	\$	26,924
Capital project funds		
Pebble Brook		9,046
Westside Drive		43,938

These deficits are expected to be funded by future special assessment revenue.

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 - RISK MANAGEMENT**

The Town maintains its general property, automobile, workmen's compensation and liability coverage through the commercial insurance policies. There were no reductions in coverage and settlements have not exceeded insurance coverage in the past three years.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

As of year-end, the Town's bank deposits and certificates of deposit were covered by federal depository insurance or by collateral held by the Town's agent in the Town's name.

Statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, Bankers' Acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The town held no such investments during the year.

Deposits and investments at December 31, 2003 consists of the following:

Checking	\$ 227,069
Money market and savings	445,064
Certificates of deposit	-
	<u>\$ 672,133</u>

Cash deficits are reflected in the financial statements as due to and due from other funds. During 2003, most interest was allocated to the General Fund.

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of long-term debt:

Type	Funds Debt Serviced In	Original Amount	Maturity Date	Interest Rate	Ending Balance
G.O. Imp Bonds - 1994	Casey Addition	\$ 210,677	8/29/04	5.95%	\$ 20,714
	Valley Oaks Addition				14,186
					<u>34,900</u>
Certificate of Indebtedness	Pebble Brook	200,000	2008	2.95%	75,000
	West Side				125,000
					<u>200,000</u>
					<u>\$ 234,900</u>

Long-term debt transactions during the year were as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Bonds payable	\$ 179,500	\$ 200,000	\$ 144,600	\$ 234,900

## NOTES TO FINANCIAL STATEMENTS

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The annual principal requirements to amortize all bonded debt outstanding are as follows:

<u>Years Ending December 31,</u>	<u>G.O. Bonds 1994</u>	<u>Certificates of Indebtedness</u>
2004	\$ 34,900	\$ 25,000
2005		25,000
2006		25,000
2007		25,000
2008		100,000
	<u>\$ 34,900</u>	<u>\$ 200,000</u>

### NOTE 6 - COMMITMENTS

During 2003, the Township awarded construction contracts for the Pebble Brook and Westside Drive projects. At December 31, 2003, the Town had contract commitments remaining of approximately \$33,000.

### NOTE 7 - GASB 34

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Town. These statements include GASB 34 "Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments", which will be effective for the Town based on its revenues, for the year ending December 31, 2004. This statement imposes new standards for financial reporting, which will have a material effect on the overall financial statement presentation for the Town.

**CREDIT RIVER TOWNSHIP**  
**GENERAL FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-1**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and investments	\$ 147,351	\$ 261,364
Taxes receivable		
Current	2,000	7,000
Delinquent	3,000	3,000
Due from other funds	103,845	-
Due from other governments	-	1,022
<b>TOTAL ASSETS</b>	<b><u>\$ 256,196</u></b>	<b><u>\$ 272,386</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 4,451	\$ 5,167
Deferred revenue	3,000	3,000
Total liabilities	<u>7,451</u>	<u>8,167</u>
Fund balance		
Unreserved, undesignated	<u>248,745</u>	<u>264,219</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 256,196</u></b>	<b><u>\$ 272,386</u></b>

**CREDIT RIVER TOWNSHIP**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**YEAR ENDED DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-2**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
General property taxes		
General and fire levies	<u>\$ 181,824</u>	<u>\$ 160,482</u>
Intergovernmental revenues		
State aid credits	<u>10,362</u>	<u>15,200</u>
Total intergovernmental revenues	<u>10,362</u>	<u>15,200</u>
Licenses and permits	<u>7,832</u>	<u>4,087</u>
Charges for services		
Inspection fees - driveways	<u>3,500</u>	<u>2,850</u>
Administrative fees	<u>6,400</u>	<u>-</u>
Wetland fees	<u>1,825</u>	<u>1,350</u>
Franchise fees	<u>2,898</u>	<u>1,064</u>
Total charges for services	<u>14,623</u>	<u>5,264</u>
Miscellaneous		
Interest	<u>5,025</u>	<u>5,962</u>
Miscellaneous	<u>374</u>	<u>1,838</u>
Total miscellaneous	<u>5,399</u>	<u>7,800</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 220,040</u></u>	<u><u>\$ 192,833</u></u>

**CREDIT RIVER TOWNSHIP**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-3**

	<u>2003</u>	<u>2002</u>
<b>General Government</b>		
Town boards and commissions		
Personal services	\$ 22,077	\$ 15,731
Total town boards and commissions	<u>22,077</u>	<u>15,731</u>
Finance and other		
Clerk - personal services	31,434	19,059
Treasurer - personal services	8,620	7,832
Other	8,143	6,332
Legal	11,453	8,769
Assessor	15,337	13,900
Audit and accounting	9,821	275
Publishing	6,706	2,798
Total finance and other	<u>91,514</u>	<u>58,965</u>
General and government buildings		
Town hall and utilities	5,223	9,977
Elections	762	3,719
Capital outlay	-	5,274
Total general and government buildings	<u>5,985</u>	<u>18,970</u>
Total general government	<u>119,576</u>	<u>93,666</u>
<b>Public Safety</b>		
Fire contracted services	<u>88,703</u>	<u>76,618</u>
<b>Public Works and Parks</b>		
Project costs	4,075	15,536
Park	6,275	-
Engineering	10,115	4,176
	<u>20,465</u>	<u>19,712</u>
<b>Fixed and Other</b>		
Insurance	1,879	1,951
Payroll taxes and benefits	3,478	4,090
Other	1,413	2,208
Total fixed and other	<u>6,770</u>	<u>8,249</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 235,514</u>	<u>\$ 198,245</u>

**CREDIT RIVER TOWNSHIP**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-4**

	Road and Bridge Fund	Park Fund	<b>Total</b>	
			<b>2003</b>	2002
<b>ASSETS</b>				
Cash and investments	\$ 249,447	\$ 104,954	\$ 354,401	\$ 284,561
Taxes receivable				
Current	1,000		1,000	6,000
Delinquent	3,000		3,000	3,000
Due from other governments	3,000		3,000	10,786
<b>TOTAL ASSETS</b>	<b>\$ 256,447</b>	<b>\$ 104,954</b>	<b>\$ 361,401</b>	<b>\$ 304,347</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable and contracts	\$ 8,319		\$ 8,319	\$ 38,330
Deferred revenue	3,000		3,000	3,000
<b>Total liabilities</b>	<b>11,319</b>	<b>-</b>	<b>11,319</b>	<b>41,330</b>
Fund balance				
Designated for turn lanes	19,000	-	19,000	33,500
Designated for lot fees	27,150	-	27,150	26,500
Designated for park improvements	-	104,954	104,954	68,044
Unreserved, undesignated	198,978	-	198,978	134,973
<b>Total fund balance</b>	<b>245,128</b>	<b>104,954</b>	<b>350,082</b>	<b>263,017</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 256,447</b>	<b>\$ 104,954</b>	<b>\$ 361,401</b>	<b>\$ 304,347</b>

**CREDIT RIVER TOWNSHIP**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-5**

	Road & Bridge	Park	Total	
	Fund	Fund	2003	2002
	Actual	Actual	Actual	Actual
<b>REVENUES</b>				
Taxes and special assessments				
Property taxes	\$ 157,056		\$ 157,056	\$ 130,893
Total taxes	157,056	-	157,056	130,893
Intergovernmental revenues				
Road tax	18,978		18,978	19,605
State aid credits	9,189		9,189	14,030
Total intergovernmental revenues	28,167	-	28,167	33,635
Charges for services and reimbursements	3,000		3,000	10,786
Turn lane fees	19,000		19,000	20,000
Lot fees	27,150		27,150	33,500
Park fees	-	36,500	36,500	27,000
	46,150	36,500	82,650	80,500
Interest income		910	910	693
Total revenues	234,373	37,410	271,783	256,507
<b>EXPENDITURES</b>				
Streets and highways				
Street roadway maintenance	146,693		146,693	66,624
Snow removal and sanding	30,297		30,297	16,153
Signs	2,474		2,474	36,476
Turn lanes	4,754		4,754	20,000
Capital outlay	-		-	-
Total streets and highways	184,218	-	184,218	139,253
Parks, recreation and conservation				
Operating expenditures		500	500	7,519
Park turn lanes			-	10,000
Total parks, recreation and conservation	-	500	500	17,519
Total expenditures	184,218	500	184,718	156,772
Revenues over (under) expenditures	50,155	36,910	87,065	99,735
Fund balance, beginning	194,973	68,044	263,017	163,282
Fund balance, ending	\$ 245,128	\$ 104,954	\$ 350,082	\$ 263,017

**CREDIT RIVER TOWNSHIP**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

**Exhibit B-6**

	<b>2003</b>				
	Casey Addition Improvement Bond Fund	Valley Oaks Improvement Bond Fund	Improvement Bond Fund	<b>Totals</b>	
				<b>2003</b>	2002
<b>ASSETS</b>					
Cash and investments	\$ 3,622	\$ 10,846	\$ 23,937	\$ <b>38,405</b>	\$ 89,348
Special assessments receivable					
Current	-	-	-	-	7,111
Deferred	10,000	20,000	113,000	<b>143,000</b>	171,000
<b>TOTAL ASSETS</b>	<b>\$ 13,622</b>	<b>\$ 30,846</b>	<b>\$ 136,937</b>	<b>\$ 181,405</b>	<b>\$ 267,459</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Deferred revenues	\$ 10,000	\$ 20,000	\$ 113,000	\$ <b>143,000</b>	\$ 171,000
Due to other funds	-	-	50,861	<b>50,861</b>	
	10,000	20,000	163,861	<b>193,861</b>	171,000
Fund balance					
Reserved for debt service	3,622	10,846	(26,924)	<b>(12,456)</b>	96,459
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 13,622</b>	<b>\$ 30,846</b>	<b>\$ 136,937</b>	<b>\$ 181,405</b>	<b>\$ 267,459</b>

**CREDIT RIVER TOWNSHIP**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2003**  
(With Comparative Totals for 2002)

	<b>2003</b>			
	Judicial Road Improvement Bond Fund	Casey Addition Improvement Bond Fund	Valley Oaks Improvement Bond Fund	Natchez/ Casey Pkwy Improvement Bond Fund
<b>REVENUES</b>				
Special assessments	\$ 4,814	\$ 11,444	\$ 8,596	\$ 15,756
Interest income on investments		60		
Total revenues	<u>4,814</u>	<u>11,504</u>	<u>8,596</u>	<u>15,756</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	105,000	21,107	13,793	
Interest and fees	<u>3,218</u>	<u>2,097</u>	<u>1,387</u>	<u>50</u>
Total expenditures	<u>108,218</u>	<u>23,204</u>	<u>15,180</u>	<u>50</u>
Revenues over (under) expenditures	(103,404)	(11,700)	(6,584)	15,706
Other financing sources (uses)				
Transfers from (to) other funds				
Revenues and other financing sources over (under) expenditures and other financing uses	(103,404)	(11,700)	(6,584)	15,706
Fund balance, beginning	54,726	15,322	17,430	4,235
Residual equity transfer	<u>48,678</u>			<u>(19,941)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 3,622</u>	<u>\$ 10,846</u>	<u>\$ -</u>

Creekwood Street Improvement Bond Fund	Improvement Bond Fund	Totals	
		2003	2002
\$ 35	\$ 1,894	\$ 42,539	\$ 71,049
		60	1,649
<u>35</u>	<u>1,894</u>	<u>42,599</u>	<u>72,698</u>
	4,700	144,600	153,600
	162	6,914	19,084
<u>-</u>	<u>4,862</u>	<u>151,514</u>	<u>172,684</u>
35	(2,968)	(108,915)	(99,986)
		-	16,448
35	(2,968)	(108,915)	(83,538)
3,961	785	96,459	179,997
(3,996)	(24,741)	-	-
<u>\$ -</u>	<u>\$ (26,924)</u>	<u>\$ (12,456)</u>	<u>\$ 96,459</u>

**CREDIT RIVER TOWNSHIP  
CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2003**

**Exhibit B-8**

	<b>2003</b>		<b>Totals</b>
	Pebble Brook Fund	West Side Drive Fund	
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ -
Special assessments receivable Deferred	<u>77,000</u>	<u>126,000</u>	<u>203,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 77,000</u></u>	<u><u>\$ 126,000</u></u>	<u><u>\$ 203,000</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	77,000	126,000	203,000
Due to other funds	<u>9,046</u>	<u>43,938</u>	<u>52,984</u>
Total liabilities	<u>86,046</u>	<u>169,938</u>	<u>255,984</u>
Fund balance			
Unreserved, designated for capital improvements	<u>(9,046)</u>	<u>(43,938)</u>	<u>(52,984)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 77,000</u></u>	<u><u>\$ 126,000</u></u>	<u><u>\$ 203,000</u></u>

**CREDIT RIVER TOWNSHIP  
CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
YEAR ENDED DECEMBER 31, 2003**

**Exhibit B-9**

	<b>2003</b>		<b>Totals</b>
	Pebble Brook Fund	West Side Drive Fund	
Revenues			
Special assessments	\$ 5,500	\$ 3,751	\$ 9,251
Other	-	-	-
Interest	-	-	-
Total revenues	<u>5,500</u>	<u>3,751</u>	<u>9,251</u>
Expenditures			
Capital improvements	89,246	172,389	261,635
Debt service	300	300	600
Total expenditures	<u>89,546</u>	<u>172,689</u>	<u>262,235</u>
Revenues over (under) expenditures	(84,046)	(168,938)	(252,984)
Other financing sources			
Bond proceeds	75,000	125,000	200,000
Total other financing sources	<u>75,000</u>	<u>125,000</u>	<u>200,000</u>
Revenues and other financing sources Over (under) expenditures	(9,046)	(43,938)	(52,984)
Fund balance (deficit) at beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (9,046)</u>	<u>\$ (43,938)</u>	<u>\$ (52,984)</u>

**CREDIT RIVER TOWNSHIP**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED DECEMBER 31, 2003**

**Exhibit B-10**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>ASSETS</b>				
Cash and investments	\$ 65,422	\$ 304,650	\$ 238,096	\$ 131,976
Due from developers	-	1,615	-	1,615
	<u>\$ 65,422</u>	<u>\$ 306,265</u>	<u>\$ 238,096</u>	<u>\$ 133,591</u>
<b>LIABILITIES</b>				
Culvert deposits payable	\$ 58,350	\$ 42,000	\$ 28,500	\$ 71,850
MPDES escrow	-	64,000	2,259	61,741
Developer escrows payable	<u>7,072</u>	<u>200,265</u>	<u>207,337</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 65,422</u>	<u>\$ 306,265</u>	<u>\$ 238,096</u>	<u>\$ 133,591</u>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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The Honorable Chairman and  
Board of Supervisors  
**Credit River Township**  
Credit River, Minnesota

We have audited the general purpose financial statements and schedules of the **Credit River Township**, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 19, 2004 which was qualified because we were unable to audit the Town's fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes, Section 6.65.

#### COMPLIANCE

##### General Purpose Financial Statements

As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

##### Minnesota Legal Compliance

The "*Legal Compliance Audit Guide*" covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness and claims and disbursements. Our study included all of the listed categories. The results of our tests indicate that, for the items tested, the **Credit River Township** complied with the material terms and conditions of applicable legal provisions.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness.

We noted a certain matter involving the internal control and its operation, described below, that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

1. The Town has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that your office staff may not be large enough to permit a complete segregation of duties in all respects for an effective system of internal accounting control, it is important that you be aware of this condition.

Recommendations:

- A. The Board monitors the financial activities of the Town by continuing to review timely financial information and statements and to provide oversight to the financial reporting process.
- B. Other measures that small organizations should consider to improve internal controls and reduce the risk of fraud include:
  - a. Do not allow the same employee to maintain accounting records, collect funds, write checks, and reconcile bank accounts.
  - b. Have the monthly bank statement delivered unopened to a designated member of management, who should review it for unusual transactions such as declining deposits and unfamiliar payees.
  - c. Consider an annual independent review of the cash accounts and bank statements by an anti-fraud specialist.
  - d. Adopt a fraud hotline or other reporting mechanisms that will permit the reporting of fraud without reprisals.
  - e. Implement employee training programs about the detrimental aspects of fraud and fraud prevention.
  - f. Implement background checks on new employees.
  - g. Consider internal audits, in addition to annual external audits.
  - h. Review insurance policies for adequate crime and forgery coverage.
  - i. Treat employees well and adequately compensate them. Employees who hold grudges against their employers – whether justified or not – often turn to occupational fraud and abuse for revenge.
2. The Town has not maintained detailed records of fixed assets, and accordingly does not have adequate accounting and reporting of fixed assets.
3. The Town does not adopt a formal budget.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions referred to above are material weaknesses.

These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the general purpose financial statements of the Town, for the year ended December 31, 2003.

This report is intended solely for the information and use of the Chairman and Board of Supervisors, management, and state agencies and is not intended and should not be used by anyone other than these specified parties.

*E. de Bailly CPA*

Minneapolis, Minnesota  
February 19, 2004