

COON CREEK WATERSHED DISTRICT



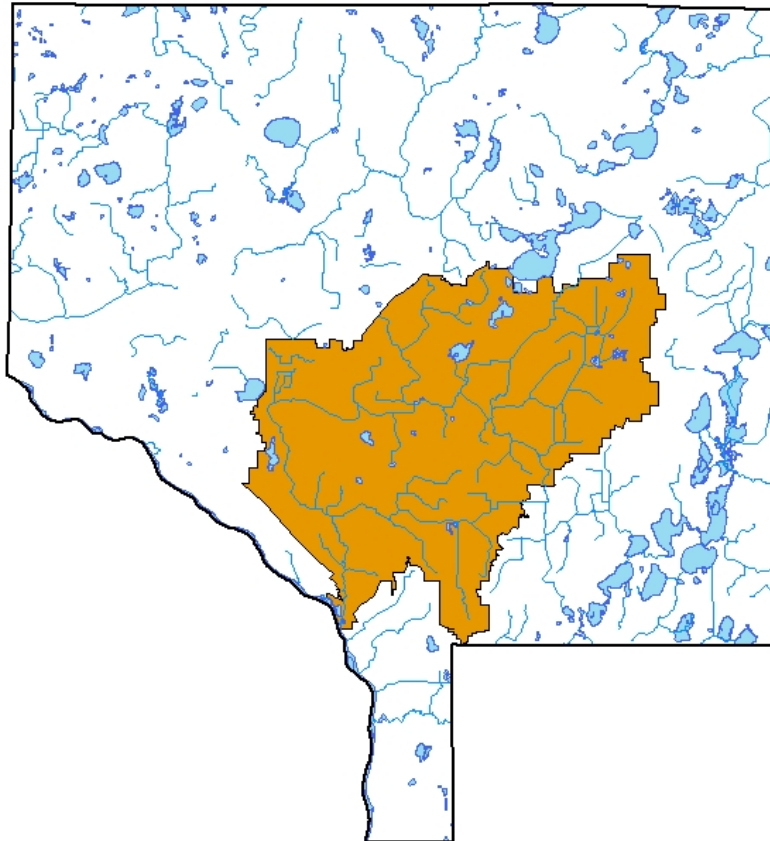
Financial Report

Year Ended December 31, 2011

**Prepared by Finance and Central Services Division of Anoka County, Minnesota
Cevin Petersen, Division Manager**

COON CREEK WATERSHED DISTRICT

Financial Report
Year Ended December 31, 2011



Prepared by Finance and Central Services Division of Anoka County, Minnesota
Cevin Petersen, Division Manager
2100 3rd Avenue
Anoka, Minnesota 55303-2265

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ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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INTRODUCTORY SECTION

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**COON CREEK WATERSHED DISTRICT
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ORGANIZATION
2011

<u>Board of Managers</u>	<u>Term Expires</u>
Bill MacNally, President	May 2013
Byron Westlund, Vice President	May 2012
Brad Johnson, Secretary	May 2014
Warren Hoffman, Treasurer	May 2012
Scott Bromley	May 2014
<u>District Administrator</u>	
Tim Kelly	Indefinite

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FINANCIAL SECTION

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Managers
Coon Creek Watershed District

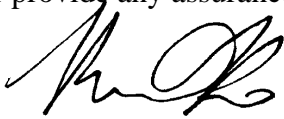
We have audited the accompanying financial statements of the governmental activities and each major fund of the Coon Creek Watershed District as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Coon Creek Watershed 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 Coon Creek Watershed District as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Coon Creek Watershed District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries 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 sufficient evidence to express an opinion or provide any assurance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

April 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Unaudited)**

This section of the annual financial report presents our Management's Discussion and Analysis (MD&A) of the Coon Creek Watershed District's (District's) financial performance during the fiscal year that ended December 31, 2011.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011 fiscal year include the following:

- Total net assets are \$418,426. Total assets are \$1,552,939, and total liabilities are \$1,134,513 for the year ended December 31, 2011.
- Overall government-wide revenues totaled \$1,020,782 and were \$117,154 more than expenses.
- The General Fund's fund balance increased \$104,684, or 38.1 percent, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts--Independent Auditor's Report; required supplementary information, which includes the MD&A (this section) and the budgetary comparison schedules; and the basic financial statements.

This MD&A is intended to serve as an introduction to the basic financial statements. The District's basic financial statements consist of two statements, which combine government-wide financial statements and fund financial statements, and notes to the financial statements. The MD&A (this section) and the budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

The first several columns of each of the first two statements present governmental fund data, which focus on how money flows in and out and the balances left at year-end that are available for spending. These columns are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the last column) in a column of each statement.

The final column in Exhibit 1 and Exhibit 2 presents the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the District as a whole and present a longer-term view of finances. These columns tell how these services were financed in the short term as well as what remains for future spending. These columns include all assets and liabilities of the District, including long-term activity. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets--the net assets were \$418,426 on December 31, 2011.

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>	<u>Percent Change (%)</u>
Assets			
Cash and pooled investments	\$ 1,477,074	\$ 1,380,986	7.0
Taxes receivable - prior	31,777	21,310	49.1
Special assessments receivable	9,000	-	-
Due from other governments	7,000	41,420	-83.1
Capital assets, net	<u>28,088</u>	<u>27,143</u>	3.5
Total Assets	<u>\$ 1,552,939</u>	<u>\$ 1,470,859</u>	5.6
Liabilities			
Accounts payable	\$ 94,835	\$ 85,310	11.2
Salaries payable	47,773	11,600	311.8
Due to other governments	300	1,180	-74.6
Deferred revenue	49,281	-	-
Funds held in trust	915,697	1,034,031	-11.4
Long-term liabilities			
Due in more than one year	<u>26,627</u>	<u>37,466</u>	-28.9
Total Liabilities	<u>\$ 1,134,513</u>	<u>\$ 1,169,587</u>	-3.0
Net Assets			
Invested in capital assets	\$ 28,088	\$ 27,143	3.5
Unrestricted	<u>390,338</u>	<u>274,129</u>	42.4
Total Net Assets	<u>\$ 418,426</u>	<u>\$ 301,272</u>	38.9

Table 2
Change in Net Assets
Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Percent Change (%)</u>
Revenues			
Program revenues			
Charges, fees, fines and others	\$ 51,831	\$ 49,266	5.2
Operating grants and contributions	7,910	71,981	-89.0
General revenues			
Property taxes	900,830	563,141	60.0
State aid	55,178	30,135	83.1
Investment income	606	1,726	-64.9
Miscellaneous	<u>4,427</u>	<u>1,442</u>	207.0
Total Revenues	\$1,020,782	\$ 717,691	42.2
Expenses			
Program expenses			
Conservation of natural resources	<u>903,628</u>	<u>905,220</u>	-0.2
Increase (Decrease) in Net Assets	\$ 117,154	\$ (187,529)	162.5
Net Assets - January 1	<u>301,272</u>	<u>488,801</u>	-38.4
Net Assets - December 31	<u><u>\$ 418,426</u></u>	<u><u>\$ 301,272</u></u>	38.9

CAPITAL ASSETS

As of December 31, 2011, the District had \$28,088 invested in net capital assets. (See Table 3.) This amount represents a net increase (including additions and deductions) of \$945 or 3.5 percent, from last year.

Table 3
Capital Assets at Year-End

	<u>2011</u>	<u>2010</u>
Machinery and equipment	\$ 71,111	\$ 63,093
Less: accumulated depreciation	<u>(43,023)</u>	<u>(35,950)</u>
Net Capital Assets	<u><u>\$ 28,088</u></u>	<u><u>\$ 27,143</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT AT THE FUND LEVEL

As the District completed the year, its governmental funds reported a combined fund balance of \$382,329. Revenues for the District's governmental funds were \$1,007,456, while total expenditures were \$915,412.

GENERAL FUND

The General Fund includes the primary operations of the District in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund revenues:

**Table A-4
General Fund Revenues**

Function	Year Ended December 31		Change	
	2011	2010	Increase (Decrease)	Percent (%)
	Taxes	\$ 859,443	\$ 537,107	\$ 322,336
Fees and charges	51,831	49,266	2,565	5.2
Intergovernmental	61,344	32,113	29,231	91.0
Investment income	606	1,726	(1,120)	-64.9
Miscellaneous and other	4,427	1,442	2,985	207.0
Total General Fund Revenues	\$ 977,651	\$ 621,654	\$ 355,997	57.3

Total General Fund revenues increased by \$355,997, or 57.3 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year. In 2011, the District's tax revenue increased by \$322,336 compared to 2010. Intergovernmental revenue increased by \$29,231 in total, mostly due to State aid, a component of intergovernmental revenue, which increased by \$25,043, due to an increase in the tax levy and state aid receipts. An environment of falling interest rates in 2011 resulted in decreased interest income of near 65 percent. The increase in fees and charges are directly related to the increase in real estate development activity.

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2011	2010	Increase (Decrease)	Percent (%)
Conservation of natural resources	<u>\$ 865,210</u>	<u>\$ 777,669</u>	<u>\$ 87,541</u>	11.3

General Fund Budgetary Highlights

- Actual revenues were \$38,318 more than expected.
- Actual expenditures were \$26,344 over the budgeted amount.
- No significant changes were made to the original adopted budget.

FACTORS BEARING ON THE FUTURE AND NEXT YEAR’S BUDGETS AND RATES

The District relies on property tax levies, authorized by underlying state statutes, for a significant portion of its revenue.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to give a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator, Tim Kelly, 12301 Central Avenue N.E., Suite 100, Blaine, Minnesota 55434.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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BASIC FINANCIAL STATEMENTS

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

EXHIBIT 1

**GOVERNMENTAL FUNDS BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Operations and Maintenance</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<u>Assets</u>						
Cash and pooled investments	\$ 510,986	\$ -	\$ 48,591	\$ 559,577	\$ -	\$ 559,577
Cash held in trust	917,497	-	-	917,497	-	917,497
Taxes receivable						
Prior	30,705	1,072	-	31,777	-	31,777
Special assessments receivable	-	-	9,000	9,000	-	9,000
Due from other funds	29,247	-	-	29,247	(29,247)	-
Due from other governments	7,000	-	-	7,000	-	7,000
Noncurrent assets						
Capital assets depreciable - net	-	-	-	-	28,088	28,088
Total Assets	\$ 1,495,435	\$ 1,072	\$ 57,591	\$ 1,554,098	\$ (1,159)	\$ 1,552,939
<u>Liabilities</u>						
Current liabilities						
Accounts payable	\$ 78,435	\$ 8,643	\$ 7,757	\$ 94,835	\$ -	\$ 94,835
Salaries payable	47,773	-	-	47,773	-	47,773
Due to other funds	-	29,247	-	29,247	(29,247)	-
Due to other governments	300	-	-	300	-	300
Deferred revenue	74,049	868	9,000	83,917	(34,636)	49,281
Funds held in trust	915,697	-	-	915,697	-	915,697
Long-term liabilities						
Due in more than one year	-	-	-	-	26,627	26,627
Total Liabilities	\$ 1,116,254	\$ 38,758	\$ 16,757	\$ 1,171,769	\$ (37,256)	\$ 1,134,513
<u>Fund Balance/Net Assets</u>						
Fund Balance						
Restricted						
For Sand Creek Stormwater Retrofit Project	\$ 77,840	\$ -	\$ -	\$ 77,840	\$ (77,840)	
For ditch projects	-	-	40,834	40,834	(40,834)	
Assigned for capital improvements	63,150	-	-	63,150	(63,150)	
Unassigned	238,191	(37,686)	-	200,505	(200,505)	
Total Fund Balance	\$ 379,181	\$ (37,686)	\$ 40,834	\$ 382,329	\$ (382,329)	
Total Liabilities and Fund Balance	\$ 1,495,435	\$ 1,072	\$ 57,591	\$ 1,554,098		
Net Assets						
Invested in capital assets					\$ 28,088	\$ 28,088
Unrestricted					390,338	390,338
Total Net Assets					\$ 418,426	\$ 418,426

(Continued)

The notes to the financial statements are an integral part of this statement.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

*EXHIBIT 1
(Continued)*

**GOVERNMENTAL FUNDS BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2011**

Reconciliation of the Governmental Fund Balance to Net Assets

Fund Balance - Governmental Funds	\$ 382,329
Total net assets reported for governmental activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	28,088
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities in the funds.	(26,627)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>34,636</u>
Net Assets - Governmental Activities	<u>\$ 418,426</u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

EXHIBIT 2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Operations and Maintenance</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
Revenues						
Taxes	\$ 859,443	\$ 28,061	\$ -	\$ 887,504	\$ 13,326	\$ 900,830
Fees and charges	51,831	-	-	51,831	-	51,831
Intergovernmental	61,344	1,744	-	63,088	-	63,088
Investment income	606	-	-	606	-	606
Miscellaneous	4,427	-	-	4,427	-	4,427
Total Revenues	\$ 977,651	\$ 29,805	\$ -	\$ 1,007,456	\$ 13,326	\$ 1,020,782
Expenditures/Expenses						
Current						
Conservation of natural resources	865,210	42,445	7,757	915,412	(11,784)	903,628
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 112,441	\$ (12,640)	\$ (7,757)	\$ 92,044	\$ 25,110	\$ 117,154
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ 7,757	\$ 7,757	\$ (7,757)	\$ -
Transfers out	(7,757)	-	-	(7,757)	7,757	-
Total Other Financing Sources (Uses)	\$ (7,757)	\$ -	\$ 7,757	\$ -	\$ -	\$ -
Net Change in Fund Balance/ Net Assets	\$ 104,684	\$ (12,640)	\$ -	\$ 92,044	\$ 25,110	\$ 117,154
Fund Balance/Net Assets						
January 1	274,497	(25,046)	40,834	290,285	10,987	301,272
December 31	\$ 379,181	\$ (37,686)	\$ 40,834	\$ 382,329	\$ 36,097	\$ 418,426

(Continued)

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

*EXHIBIT 2
(Continued)*

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities**

Net Change in Fund Balance	\$	92,044
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets	\$ 8,018	
Current year depreciation	<u>(7,073)</u>	945

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		10,839
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In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase (decrease) in tax revenue deferred as unavailable.

Deferred revenue - December 31	\$ 34,636	
Deferred revenue - January 1	<u>(21,310)</u>	<u>13,326</u>

Change in Net Assets of Governmental Activities	\$	<u>117,154</u>
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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

The Coon Creek Watershed District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The Coon Creek Watershed District was organized in 1959 under the provisions of Minn. Stat. ch. 103D; additional powers and duties are contained in Minn. Stat. chs. 103E and 103B.

The purpose of the District is to provide water management within its geographic boundaries. The watershed is 107 square miles in size and includes those lands within the drainage area, or watershed, of Coon Creek. The Creek's drainage involves portions of the communities of Andover, Blaine, Columbus, Coon Rapids, Ham Lake, Fridley, and Spring Lake Park. The headwaters of the Creek are in the Carlos Avery Wildlife Management Area in Columbus. The Creek flows 17 miles and enters the Mississippi River downstream from the Coon Rapids Dam in Coon Rapids. In addition to existing water problems, the District recognizes the need to prevent flooding and improve water quality. The District complies with the Metropolitan Water Management Act, the intent of which is to prevent water problems by preserving and using natural retention systems.

The District is governed by a Board of Managers composed of five members appointed by the Anoka County Board of Commissioners for three-year terms.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements 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. There are no organizations that should be presented with the District.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Columns

The financial statements combine fund level financial statements and government-wide financial statements (governmental activities column).

The government-wide financial statement columns (the statement of net assets and the statement of activities) display information about the District. These columns include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities.

The governmental activities columns:

- (a) are presented on a consolidated basis; and
- (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

2. Governmental Fund Financial Statement Columns

The governmental fund financial statement columns provide information about the District's funds. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns.

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 general government, except those required to be accounted for in another fund.

The Operations and Maintenance Special Revenue Fund is used to account for maintenance and repair work within the District. The District is authorized by 1991 Minn. Laws ch. 291, art. 4, § 18, to levy not more than \$30,000 annually for these purposes.

The Ditch Special Revenue Fund is used to account for maintenance activities, together with related special assessments, for ditches within the District.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The governmental activities columns 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.

Governmental fund columns 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. The District considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the District through Anoka County for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2011, based on market prices. Because of the relatively small balances of the other funds, all investment earnings are credited to the General Fund. Pooled investment earnings for 2011 were \$606.

Through Anoka County, Coon Creek Watershed District invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the District's position in the pool is the same as the value of the pool shares.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. 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). Any residual balances outstanding between the governmental activities and business type-activities are reported in the government-wide financial statements as “internal balances.”

3. Property Taxes and Special Assessments

An ad valorem property tax may be levied against all properties in the District with levy limits prescribed by state statute. Property tax levies must be approved by the District Board and certified to the Anoka County Auditor in October of each year for collection in the following year. Taxes are payable to the County in two installments by May 15 and October 15.

Special assessment levies may be approved by the District Board for maintenance and construction purposes in accordance with state statutes. These assessments are charged against those properties benefiting from the maintenance and construction. Special assessments must be certified to the County Auditor in a manner similar to property taxes.

Property taxes and special assessments receivable consist of amounts certified to Anoka County but not yet collected. Special assessments receivable are recorded when the full levy amount is submitted to the County, though actual assessment against property owners may occur over several years.

COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

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

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. Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed.

Machinery and equipment of the District are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 20 years.

5. Flexible Time Off, Extended Medical Benefits, and Personal Conversion Accounts

The District's employees' vacation and sick time was converted to flexible time off (FTO) and extended medical benefits (EMB) hours as part of the October 2001 implementation of the Anoka County Preferred Benefit Plan, which the Coon Creek Watershed District elected to follow.

Vacation hours were converted to FTO hours and are vested. The amount of FTO hours a full-time employee earns ranges from 24 to 33 days per year depending on years of service performed. Part-time employees are prorated based on their scheduled hours and years of service.

The unvested sick leave hours were converted to EMB hours. These hours are not vested and are valued at \$48,982 at December 31, 2011. EMB hours are available for use in times of illness after using 40 FTO or leave without pay hours. Full-time employees accrue eight days of EMB per year, and part-time employees receive a prorated amount based on their schedule.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Deferred Revenue

All District funds and the governmental activities defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

7. Classification of Fund Balances

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 the resources in the governmental funds. The classifications are as follows:

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts in the assigned fund balance classification the District intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District Board or the District Administrator who has been delegated that authority by Board resolution.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Classification of Fund Balances (Continued)

Unassigned - unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

8. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The District's Board of Managers adopts estimated revenue and expenditure budgets for the General Fund and the Operations and Maintenance and Ditch Special Revenue Funds.

The budgets may be amended or modified at any time by the Board. Comparisons of estimated revenues and expenditures to actual are presented as required supplementary information for the General Fund and budgeted special revenue funds. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Balance

At December 31, 2011, the Operations and Maintenance Special Revenue Fund had a deficit fund balance of \$37,686. The deficit will be eliminated with future year activities.

C. Excess of Expenditures Over Budget

The General Fund and the Ditch Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2011. Comparisons of budget to actual results can be found in Schedule 1 through Schedule 3.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the District's total cash and investments to the basic financial statements follows:

Statement of Net Assets	
Governmental Activities	
Cash and pooled investments	\$ 559,577
Cash held in trust	<u>917,497</u>
Total Cash and Investments	<u><u>\$ 1,477,074</u></u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Cash transactions are administered by Anoka County who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to designate depositories for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2011, the District had no deposits.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The District does not have additional policies for the investment risks, described below, beyond complying with the requirements of Minnesota statutes.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2011, none of the District's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. At December 31, 2011, the District held \$1,477,074 in a pooled investment fund (MAGIC Fund).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. At December 31, 2011, none of the District's investments were subject to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2011, none of the District's investments were subject to credit risk.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

The District has no receivables scheduled to be collected beyond one year, except for delinquent taxes receivable.

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery and equipment	\$ 63,093	\$ 8,018	\$ -	\$ 71,111
Less: accumulated depreciation for				
Machinery and equipment	<u>35,950</u>	<u>7,073</u>	<u>-</u>	<u>43,023</u>
Total Capital Assets Depreciated, Net	<u>\$ 27,143</u>	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 28,088</u>

Depreciation expense of \$7,073 was charged to the District's conservation of natural resources function.

B. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2011 is as follows:

1. Due From and To Other Funds

	<u>Receivable</u>	<u>Payable</u>	<u>Description</u>
Major Governmental Funds			
General Fund	\$ 29,247	\$ -	Short term loan
Operations and Maintenance Fund	<u>-</u>	<u>29,247</u>	Short term loan
Total Due From and To Other Funds	<u>\$ 29,247</u>	<u>\$ 29,247</u>	

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of a transfer from the General Fund to the Ditch Fund for expenditures made in the Ditch Fund.

C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

	Governmental Activities
Accounts	\$ 94,835
Salaries	47,773
Due to other governments	300
Total Payables	\$ 142,908

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Deferred revenue at December 31, 2011, is summarized below by fund:

	Taxes	Special Assessments	Grants	Total
Governmental Funds				
General	\$ 24,768	\$ -	\$ 49,281	\$ 74,049
Operations and Maintenance				
Special Revenue	868	-	-	868
Ditch Special Revenue	-	9,000	-	9,000
Total	\$ 25,636	\$ 9,000	\$ 49,281	\$ 83,917
Deferred Revenue				
Unearned	\$ -	\$ -	\$ 49,281	\$ 49,281
Unavailable	25,636	9,000	-	34,636
	\$ 25,636	\$ 9,000	\$ 49,281	\$ 83,917

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt - Compensated Absences

District employees are granted flexible time off (FTO) in varying amounts depending on length of service. All employees accumulate extended medical benefits. Unused, accumulated FTO is paid to employees upon termination. The amount payable at December 31, 2011, is \$26,627, which is a decrease of \$10,839 from the payable of \$37,466 at December 31, 2010.

4. Funds Held in Trust

Funds held in trust at December 31, 2011, consist of the following:

Developer deposits	<u>\$ 915,697</u>
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5. Operating Leases

The District entered into an operating lease for office space beginning June 1, 2000, which terminates on September 30, 2012. The District made lease payments totaling \$17,754 on this lease for the year ended December 31, 2011.

The District entered into an operating lease for a copier beginning November 16, 2011, and terminating on November 16, 2013. The District made lease payments totaling \$186 on this lease for the year ended December 31, 2011.

Future minimum lease payments under the operating leases consist of the following at December 31, 2011:

Fiscal Year	Space	Copier	Total
2012	\$ 13,316	\$ 2,088	\$ 15,404
2013	-	1,914	1,914
Total	\$ 13,316	\$ 4,002	\$ 17,318

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Coon Creek Watershed District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund 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 (five years for those first eligible for membership after June 30, 2010). 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.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced social security benefits capped at age 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Pension Plans

A. Plan Description (Continued)

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Coon Creek Watershed District makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.25 percent, respectively, of their annual covered salary.

The Coon Creek Watershed District is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25

The Coon Creek Watershed District's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 19,016	\$ 18,321	\$ 16,909

These contributions are equal to the contractually required contribution rates for each year as set by state statute.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District is self-insured, in part, for losses related to destruction of assets. The District carries commercial insurance for all other forms of risk. There were no significant reductions for the year ended December 31, 2011, in insurance coverage for any major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 865,716	\$ 865,716	\$ 859,443	\$ (6,273)
Fees and charges	20,183	20,183	51,831	31,648
Intergovernmental	53,434	53,434	61,344	7,910
Investment income	-	-	606	606
Miscellaneous	-	-	4,427	4,427
Total Revenues	\$ 939,333	\$ 939,333	\$ 977,651	\$ 38,318
Expenditures				
Current				
Conservation of natural resources				
Personal services	\$ 353,116	\$ 353,116	\$ 359,829	\$ (6,713)
Contractual services	242,694	242,694	286,970	(44,276)
Other services and charges	209,077	209,077	204,960	4,117
Capital outlay	33,979	33,979	13,451	20,528
Total Expenditures	\$ 838,866	\$ 838,866	\$ 865,210	\$ (26,344)
Excess of Revenue Over (Under) Expenditures	\$ 100,467	\$ 100,467	\$ 112,441	\$ 11,974
Other Financing Uses				
Transfers out	-	-	(7,757)	(7,757)
Net Change in Fund Balance	\$ 100,467	\$ 100,467	\$ 104,684	\$ 4,217
Fund Balance - January 1	274,497	274,497	274,497	-
Fund Balance - December 31	\$ 374,964	\$ 374,964	\$ 379,181	\$ 4,217

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND MAINTENANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 28,256	\$ 28,256	\$ 28,061	\$ (195)
Intergovernmental	1,744	1,744	1,744	-
Total Revenues	\$ 30,000	\$ 30,000	\$ 29,805	\$ (195)
Expenditures				
Current				
Conservation of natural resources				
Contractual services	\$ -	\$ -	\$ 3,266	\$ (3,266)
Other services and charges	137,095	137,095	39,179	97,916
Total Expenditures	\$ 137,095	\$ 137,095	\$ 42,445	\$ 94,650
Net Change in Fund Balance	\$ (107,095)	\$ (107,095)	\$ (12,640)	\$ 94,455
Fund Balance - January 1	(25,046)	(25,046)	(25,046)	-
Fund Balance - December 31	\$ (132,141)	\$ (132,141)	\$ (37,686)	\$ 94,455

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Conservation of natural resources				
Contractual services	-	-	7,757	(7,757)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (7,757)	\$ 7,757
Other Financing Sources				
Transfers in	-	-	7,757	7,757
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	40,834	40,834	40,834	-
Fund Balance - December 31	\$ 40,834	\$ 40,834	\$ 40,834	\$ -

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

On or before mid-June of each year, the District Manager prepares a draft budget for the upcoming fiscal year. Before August 31, the proposed budget is presented to the District Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and function. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the function level.

Encumbrance accounting is employed in governmental funds.

2. Excess of Expenditures Over Appropriations

The General Fund's expenditures were \$26,344 in excess of budget, and the Ditch Special Revenue Fund's expenditures were \$7,757 in excess of budget for the year ended December 31, 2011.