

COON CREEK WATERSHED DISTRICT



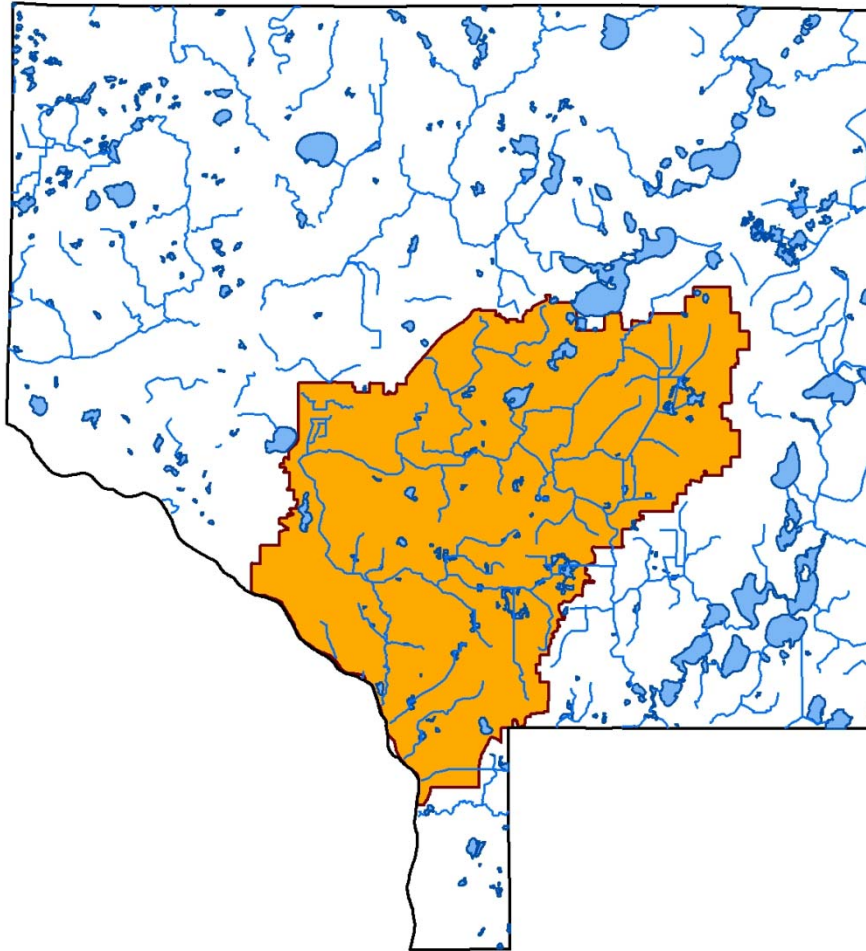
Financial Report

Year Ended December 31, 2013

**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, 2013



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

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

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

**ORGANIZATION
2013**

| <u>Board of Managers</u> | <u>Term Expires</u> |
|-------------------------------|---------------------|
| Byron Westlund, President | May 2015 |
| Brad Johnson, Vice President | May 2014 |
| Warren Hoffman, Secretary | May 2016 |
| Clayton Kearns, Treasurer | May 2016 |
| Scott Bromley | May 2014 |
| | |
| <u>District Administrator</u> | |
| Tim Kelly | Indefinite |

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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
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INDEPENDENT AUDITOR'S REPORT

Board of Managers
Coon Creek Watershed District

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

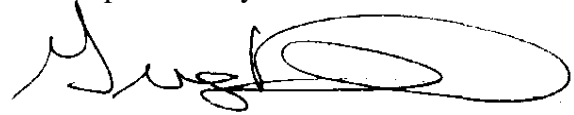
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, 2013.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013 fiscal year include the following:

- Total net position is \$593,952. Total assets are \$1,811,836, and total liabilities are \$1,217,884 for the year ended December 31, 2013.
- Overall government-wide revenues totaled \$1,499,510 and were \$196,131 more than expenses.
- The General Fund's fund balance increased \$299,253, or 88.4 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 Position 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 Position--the net position was \$593,952 on December 31, 2013.

Table 1
Net Position

| | <u>2013</u> | <u>2012</u> | <u>Percent Change (%)</u> |
|--------------------------------|------------------------------|------------------------------|-----------------------------------|
| Assets | | | |
| Cash and pooled investments | \$ 1,718,238 | \$ 1,426,183 | 20.5 |
| Taxes receivable - prior | 34,447 | 30,025 | 14.7 |
| Special assessments receivable | 2,969 | 7,001 | -57.6 |
| Due from other governments | 9,331 | 38,993 | -76.1 |
| Prepaid items | 7,720 | - | - |
| Capital assets, net | <u>39,131</u> | <u>25,815</u> | 51.6 |
| Total Assets | <u>\$ 1,811,836</u> | <u>\$ 1,528,017</u> | 18.6 |
| Liabilities | | | |
| Accounts payable | \$ 172,743 | \$ 100,392 | 72.1 |
| Salaries payable | 21,214 | 13,966 | 51.9 |
| Due to other governments | 78,390 | 62,050 | 26.3 |
| Funds held in trust | 912,428 | 927,163 | -1.6 |
| Long-term liabilities | | | |
| Due in more than one year | <u>33,109</u> | <u>26,625</u> | 24.4 |
| Total Liabilities | <u>\$ 1,217,884</u> | <u>\$ 1,130,196</u> | 7.8 |
| Net Position | | | |
| Investment in capital assets | \$ 39,131 | \$ 25,815 | 51.6 |
| Unrestricted | <u>554,821</u> | <u>372,006</u> | 49.1 |
| Total Net Position | <u><u>\$ 593,952</u></u> | <u><u>\$ 397,821</u></u> | 49.3 |

Table 2
Change in Net Position
Governmental Activities

| | <u>2013</u> | <u>2012</u> | Percent Change (%) |
|--|--------------------------|--------------------------|--------------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges, fees, fines and others | \$ 92,728 | \$ 37,726 | 145.8 |
| Operating grants and contributions | 58,153 | 98,125 | -40.7 |
| General revenues | | | |
| Property taxes | 1,341,920 | 943,212 | 42.3 |
| Special assessments | 4,032 | 1,999 | 101.7 |
| State aid | 175 | 366 | -52.2 |
| Investment income | 554 | 681 | -18.6 |
| Miscellaneous | <u>1,948</u> | <u>2,867</u> | -32.1 |
| Total Revenues | \$1,499,510 | \$1,084,976 | 38.2 |
| Expenses | | | |
| Program expenses | | | |
| Conservation of natural resources | <u>1,303,379</u> | <u>1,105,581</u> | 17.9 |
| Increase (Decrease) in Net Position | \$ 196,131 | \$ (20,605) | 1,051.9 |
| Net Position - January 1 | <u>397,821</u> | <u>418,426</u> | -4.9 |
| Net Position - December 31 | <u><u>\$ 593,952</u></u> | <u><u>\$ 397,821</u></u> | 49.3 |

CAPITAL ASSETS

As of December 31, 2013, the District had \$39,131 invested in net capital assets. (See Table 3.) This amount represents a net increase (including additions and deductions) of \$13,316 or 51.6 percent, from last year.

Table 3
Capital Assets at Year-End

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------------|-------------------------|
| Machinery and equipment | \$ 89,757 | \$ 70,193 |
| Less: accumulated depreciation | <u>(50,626)</u> | <u>(44,378)</u> |
| Net Capital Assets | <u><u>\$ 39,131</u></u> | <u><u>\$ 25,815</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 \$559,804. Revenues for the District's governmental funds were \$1,502,694, while total expenditures were \$1,310,211.

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 | |
|-----------------------------|------------------------|--------------------|------------------------|----------------|
| | 2013 | 2012 | Increase (Decrease) | Percent (%) |
| Taxes | \$1,315,323 | \$ 916,621 | \$ 398,702 | 43.5 |
| Fees and charges | 92,728 | 37,726 | 55,002 | 145.8 |
| Intergovernmental | 58,324 | 98,479 | (40,155) | -40.8 |
| Investment income | 554 | 681 | (127) | -18.6 |
| Miscellaneous and other | 1,811 | 2,867 | (1,056) | -36.8 |
| Total General Fund Revenues | <u>\$1,468,740</u> | <u>\$1,056,374</u> | <u>\$ 412,366</u> | 39.0 |

Total General Fund revenues increased by \$412,366 or 39.0 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year. In 2013, the District's tax revenue increased by \$398,702 compared to 2012. Intergovernmental revenue decreased by \$40,155 in total, mostly due to grant funding received for the Sand Creek Stormwater Retrofit Project. The increase in fees and charges is directly related to 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 | |
|--------------------------------------|------------------------|---------------------|------------------------|----------------|
| | 2013 | 2012 | Increase (Decrease) | Percent (%) |
| Conservation of natural resources | <u>\$ 1,169,487</u> | <u>\$ 1,096,987</u> | <u>\$ 72,500</u> | 6.6 |

General Fund Budgetary Highlights

- Actual revenues were \$93,535 less than expected.
- Actual expenditures were \$368,992 under 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 POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2013**

| | <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 | \$ 764,075 | \$ - | \$ 41,735 | \$ 805,810 | \$ - | \$ 805,810 |
| Cash held in trust | 912,428 | - | - | 912,428 | - | 912,428 |
| Taxes receivable | | | | | | |
| Prior | 33,591 | 856 | - | 34,447 | - | 34,447 |
| Special assessments receivable | - | - | 2,969 | 2,969 | - | 2,969 |
| Due from other funds | 5,147 | - | - | 5,147 | (5,147) | - |
| Due from other governments | 9,331 | - | - | 9,331 | - | 9,331 |
| Prepaid items | 7,720 | - | - | 7,720 | - | 7,720 |
| Noncurrent assets | | | | | | |
| Capital assets depreciable - net | - | - | - | - | 39,131 | 39,131 |
| Total Assets | \$ 1,732,292 | \$ 856 | \$ 44,704 | \$ 1,777,852 | \$ 33,984 | \$ 1,811,836 |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u> | | | | | | |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 57,940 | \$ 114,803 | \$ - | \$ 172,743 | \$ - | \$ 172,743 |
| Salaries payable | 21,214 | - | - | 21,214 | - | 21,214 |
| Due to other funds | - | 5,147 | - | 5,147 | (5,147) | - |
| Due to other governments | 78,390 | - | - | 78,390 | - | 78,390 |
| Funds held in trust | 912,428 | - | - | 912,428 | - | 912,428 |
| Long-term liabilities | | | | | | |
| Due in more than one year | - | - | - | - | 33,109 | 33,109 |
| Total Liabilities | \$ 1,069,972 | \$ 119,950 | \$ - | \$ 1,189,922 | \$ 27,962 | \$ 1,217,884 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue | \$ 24,499 | \$ 658 | \$ 2,969 | \$ 28,126 | \$ (28,126) | \$ - |

(Continued)

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

*EXHIBIT 1
(Continued)*

**GOVERNMENTAL FUNDS BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2013**

| | General Fund | Operations and Maintenance | Ditch | Total | Adjustments | Governmental Activities | |
|--|-------------------------|---|------------------|---------------------|---------------------|------------------------------------|----------|
| <u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u> (Continued) | | | | | | | |
| Fund Balance/Net Position | | | | | | | |
| Fund Balance | | | | | | | |
| Nonspendable | \$ 7,720 | \$ - | \$ - | \$ 7,720 | \$ (7,720) | | |
| Restricted | | | | | | | |
| For ditch projects | - | - | 41,735 | 41,735 | (41,735) | | |
| Unassigned | 630,101 | (119,752) | - | 510,349 | (510,349) | | |
| Total Fund Balance | \$ 637,821 | \$ (119,752) | \$ 41,735 | \$ 559,804 | \$ (559,804) | | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,732,292 | \$ 856 | \$ 44,704 | \$ 1,777,852 | | | |
| Net Position | | | | | | | |
| Investment in capital assets | | | | | \$ 39,131 | \$ 39,131 | |
| Unrestricted | | | | | 554,821 | 554,821 | |
| Total Net Position | | | | | \$ 593,952 | \$ 593,952 | |
| Reconciliation of the Governmental Fund Balance to Net Position | | | | | | | |
| Fund Balance - Governmental Funds | | | | | | \$ 559,804 | |
| Total net position 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. | | | | | | | 39,131 |
| Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities in the funds. | | | | | | | (33,109) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | | | | | | 28,126 |
| Net Position - Governmental Activities | | | | | | \$ 593,952 | |

**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, 2013**

| | <u>General Fund</u> | <u>Operations and Maintenance</u> | <u>Ditch</u> | <u>Total</u> | <u>Adjustments</u> | <u>Governmental Activities</u> |
|---|-------------------------|---|------------------|---------------------|--------------------|------------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 1,315,323 | \$ 29,781 | \$ - | \$ 1,345,104 | \$ (3,184) | \$ 1,341,920 |
| Special assessments | - | - | 4,032 | 4,032 | - | 4,032 |
| Fees and charges | 92,728 | - | - | 92,728 | - | 92,728 |
| Intergovernmental | 58,324 | 4 | - | 58,328 | - | 58,328 |
| Investment income | 554 | - | - | 554 | - | 554 |
| Miscellaneous | 1,811 | 137 | - | 1,948 | - | 1,948 |
| Total Revenues | \$ 1,468,740 | \$ 29,922 | \$ 4,032 | \$ 1,502,694 | \$ (3,184) | \$ 1,499,510 |
| Expenditures/Expenses | | | | | | |
| Current | | | | | | |
| Conservation of natural resources | 1,169,487 | 140,724 | - | 1,310,211 | (6,832) | 1,303,379 |
| Net Change in Fund Balance/ Net Position | \$ 299,253 | \$ (110,802) | \$ 4,032 | \$ 192,483 | \$ 3,648 | \$ 196,131 |
| Fund Balance/Net Position | | | | | | |
| January 1 | 338,568 | (8,950) | 37,703 | 367,321 | 30,500 | 397,821 |
| December 31 | \$ 637,821 | \$ (119,752) | \$ 41,735 | \$ 559,804 | \$ 34,148 | \$ 593,952 |

(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, 2013**

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

| | | |
|-----------------------------------|----|---------|
| Net Change in Fund Balance | \$ | 192,483 |
|-----------------------------------|----|---------|

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 | \$ | 21,563 | |
| Current year depreciation | | <u>(8,247)</u> | 13,316 |

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 | | | (6,484) |
|--------------------------------|--|--|---------|

In the funds, under the modified accrual basis, receivables not available for expenditure are considered unavailable. 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 unavailable tax revenue.

| | | | |
|-----------------------------------|----|-----------------|----------------|
| Unavailable revenue - December 31 | \$ | 28,126 | |
| Unavailable revenue - January 1 | | <u>(31,310)</u> | <u>(3,184)</u> |

| | | |
|--|-----------|-----------------------|
| Change in Net Position of Governmental Activities | \$ | <u>196,131</u> |
|--|-----------|-----------------------|

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

During the year ended December 31, 2013 the Coon Creek Watershed District adopted GASB Statement No. 65. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

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 position 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. 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, Deferred Outflows/Inflows, and Net Position 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, 2013, 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 2013 were \$554 .

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). The investment in the pool is measured at the net asset value per share provided by the pool.

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position 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, Deferred Outflows/Inflows, and Net Position 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 and Extended Medical Benefit 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 \$62,561 at December 31, 2013. 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, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Classification of Net Position

Net position in the government wide financial statements is classified in the following categories:

Net investment in capital assets: the amount of net position representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position: the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted net position: the amount of net position that does not meet the definition of restricted or net investment in capital assets.

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

8. 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.

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.

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity

8. Classification of Fund Balances (Continued)

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.

9. 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.

B. Deficit Fund Balance

At December 31, 2013, the Operations and Maintenance Special Revenue Fund had a deficit fund balance of \$119,752. The deficit will be eliminated with future year activities.

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

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The Operations and Maintenance Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2013. 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 Position | |
| Governmental Activities | |
| Cash and pooled investments | \$ 805,810 |
| Cash held in trust | <u>912,428</u> |
| Total Cash and Investments | <u><u>\$ 1,718,238</u></u> |

a. Deposits

Cash transactions are administered by Anoka County which 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.

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2013, the District had no deposits.

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, 2013, 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, 2013, the District held \$1,718,238 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, 2013, 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, 2013, 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, 2013, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets depreciated | | | | |
| Machinery and equipment | \$ 70,193 | \$ 21,563 | \$ 1,999 | \$ 89,757 |
| Less: accumulated depreciation for | | | | |
| Machinery and equipment | <u>44,378</u> | <u>8,247</u> | <u>1,999</u> | <u>50,626</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 25,815</u> | <u>\$ 13,316</u> | <u>\$ -</u> | <u>\$ 39,131</u> |

Depreciation expense of \$8,247 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, 2013 is as follows:

Due From and To Other Funds

| | <u>Receivable</u> | <u>Payable</u> | <u>Description</u> |
|-----------------------------------|-------------------|-----------------|--------------------|
| Major Governmental Funds | | | |
| General Fund | \$ 5,147 | \$ - | Short term loan |
| Operations and Maintenance Fund | <u>-</u> | <u>5,147</u> | Short term loan |
| Total Due From and To Other Funds | <u>\$ 5,147</u> | <u>\$ 5,147</u> | |

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

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

| | <u>Governmental Activities</u> |
|--------------------------|------------------------------------|
| Accounts | \$ 172,743 |
| Salaries | 21,214 |
| Due to other governments | <u>78,390</u> |
| Total Payables | <u><u>\$ 272,347</u></u> |

2. 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, 2013, is \$33,109, which is an increase of \$6,484 from the payable of \$26,625 at December 31, 2012.

3. Funds Held in Trust

Funds held in trust at December 31, 2013, consist of the following:

| | |
|--------------------|--------------------------|
| Developer deposits | <u><u>\$ 912,428</u></u> |
|--------------------|--------------------------|

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

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Operating Leases

The District entered into an operating lease for office space beginning October 1, 2012, which terminates on September 30, 2017. The District made lease payments totaling \$24,926 on this lease for the year ended December 31, 2013.

The District entered into an operating lease for a copier beginning November 16, 2011, and terminating on November 16, 2014. The District made lease payments totaling \$2,050 on this lease for the year ended December 31, 2013.

Future minimum lease payments under the operating leases consist of the following at December 31, 2013:

| <u>Fiscal Year</u> | <u>Space</u> | <u>Copier</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2014 | \$ 24,926 | \$ 1,914 | \$ 26,840 |
| 2015 | 24,926 | - | 24,926 |
| 2016 | 24,926 | - | 24,926 |
| 2017 | <u>18,695</u> | <u>-</u> | <u>18,695</u> |
| Total | <u>\$ 93,473</u> | <u>\$ 1,914</u> | <u>\$ 95,387</u> |

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

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources

Deferred inflows of resources consists of unavailable revenue arising from 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. Unavailable revenue at December 31, 2013, is summarized below by fund:

| | Taxes | Special Assessments | Total |
|-------------------------------|-----------|------------------------|-----------|
| Governmental Funds | | | |
| General | \$ 24,499 | \$ - | \$ 24,499 |
| Operations and Maintenance | | | |
| Special Revenue | 658 | - | 658 |
| Ditch Special Revenue | - | 2,969 | 2,969 |
| Total | \$ 25,157 | \$ 2,969 | \$ 28,126 |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue | \$ 25,157 | \$ 2,969 | \$ 28,126 |

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. Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. Defined retirement benefits are based on a member's average yearly salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

4. Pension Plans

A. Plan Description (Continued)

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 remaining year. 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 remaining 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 all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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.

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

4. Pension Plans (Continued)

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 9.10 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 2013:

| | |
|-----------------------------------|--------|
| 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, 2013, 2012, and 2011, for the General Employees Retirement Fund were:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------------------------|-------------|-------------|-------------|
| General Employees Retirement Fund | \$ 23,200 | \$ 18,665 | \$ 19,016 |

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

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, 2013, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,324,829 | \$ 1,324,829 | \$ 1,315,323 | \$ (9,506) |
| Fees and charges | 30,275 | 30,275 | 92,728 | 62,453 |
| Intergovernmental | 205,371 | 205,371 | 58,324 | (147,047) |
| Investment income | - | - | 554 | 554 |
| Miscellaneous | 1,800 | 1,800 | 1,811 | 11 |
| | <u>1,800</u> | <u>1,800</u> | <u>1,811</u> | <u>11</u> |
| Total Revenues | <u>\$ 1,562,275</u> | <u>\$ 1,562,275</u> | <u>\$ 1,468,740</u> | <u>\$ (93,535)</u> |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Personal services | \$ 417,336 | \$ 417,336 | \$ 439,830 | \$ (22,494) |
| Contractual services | 294,164 | 294,164 | 462,887 | (168,723) |
| Other services and charges | 790,887 | 790,887 | 241,863 | 549,024 |
| Capital outlay | 36,092 | 36,092 | 24,907 | 11,185 |
| | <u>36,092</u> | <u>36,092</u> | <u>24,907</u> | <u>11,185</u> |
| Total Expenditures | <u>\$ 1,538,479</u> | <u>\$ 1,538,479</u> | <u>\$ 1,169,487</u> | <u>\$ 368,992</u> |
| Net Change in Fund Balance | <u>\$ 23,796</u> | <u>\$ 23,796</u> | <u>\$ 299,253</u> | <u>\$ 275,457</u> |
| Fund Balance - January 1 | <u>338,568</u> | <u>338,568</u> | <u>338,568</u> | <u>-</u> |
| Fund Balance - December 31 | <u><u>\$ 362,364</u></u> | <u><u>\$ 362,364</u></u> | <u><u>\$ 637,821</u></u> | <u><u>\$ 275,457</u></u> |

**BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND MAINTENANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 29,996 | \$ 29,996 | \$ 29,781 | \$ (215) |
| Intergovernmental | 4 | 4 | 4 | - |
| Miscellaneous | - | - | 137 | 137 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | \$ 30,000 | \$ 30,000 | \$ 29,922 | \$ (78) |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Contractual services | \$ - | \$ - | \$ 124,679 | \$ (124,679) |
| Other services and charges | 60,296 | 60,296 | 16,045 | 44,251 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenditures | \$ 60,296 | \$ 60,296 | \$ 140,724 | \$ (80,428) |
| Net Change in Fund Balance | \$ (30,296) | \$ (30,296) | \$ (110,802) | \$ (80,506) |
| Fund Balance - January 1 | (8,950) | (8,950) | (8,950) | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund Balance - December 31 | \$ (39,246) | \$ (39,246) | \$ (119,752) | \$ (80,506) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ - | \$ - | \$ 4,032 | \$ 4,032 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Contractual services | - | - | - | - |
| Net Change in Fund Balance | \$ - | \$ - | \$ 4,032 | \$ 4,032 |
| Fund Balance - January 1 | 37,703 | 37,703 | 37,703 | - |
| Fund Balance - December 31 | \$ 37,703 | \$ 37,703 | \$ 41,735 | \$ 4,032 |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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 Operations and Maintenance Special Revenue Fund's expenditures were \$80,428 in excess of budget for the year ended December 31, 2013.

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

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