

# **COON CREEK WATERSHED DISTRICT**



## **Financial Report**

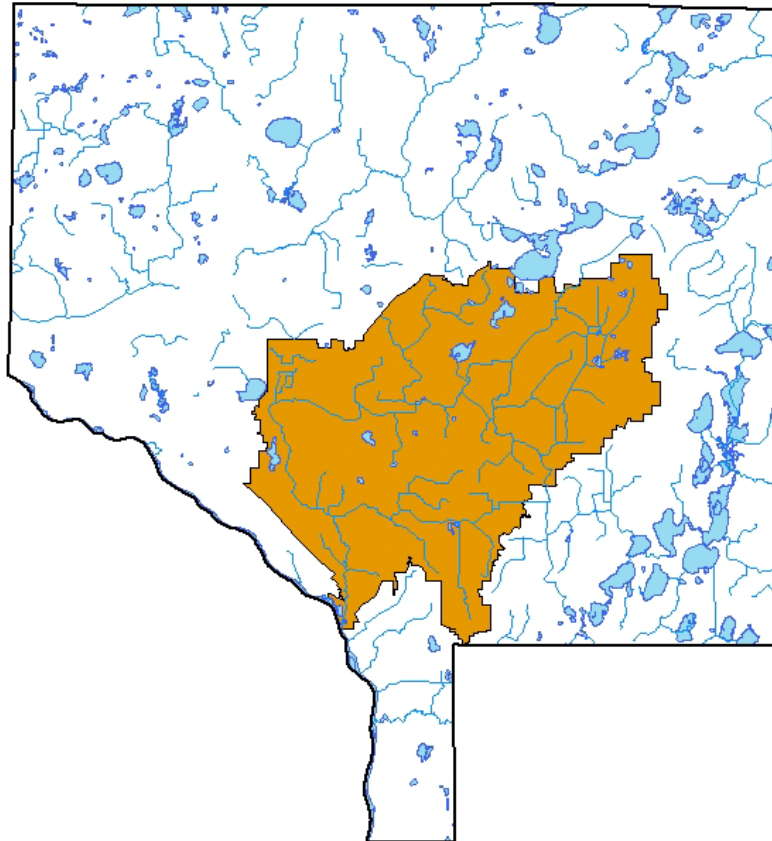
**Year Ended December 31, 2010**

**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, 2010



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**

**TABLE OF CONTENTS**

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Governmental Funds Balance Sheet and Governmental Activities - Statement of Net Assets	Exhibit 1	9
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities - Statement of Activities	Exhibit 2	11
Notes to the Financial Statements		13
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	28
Operations and Maintenance Special Revenue Fund	Schedule 2	29
Ditch Special Revenue Fund	Schedule 3	30
Notes to the Required Supplementary Information		31

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

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

**INTRODUCTORY SECTION**

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

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

**ORGANIZATION  
2010**

<u>Board of Managers</u>	<u>Term Expires</u>
Byron Westlund, President	May 2012
Warren Hoffman, Vice President	May 2013
Joseph Marvin, Secretary	May 2011
Ted Capra, Treasurer	May 2011
Bill MacNally	May 2013
<u>District Administrator</u>	
Tim Kelly	Indefinite

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

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

**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, 2010, 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.

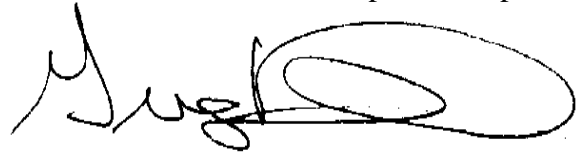
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Coon Creek Watershed District as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 19, 2011

## **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, 2010  
(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, 2010.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2010 fiscal year include the following:

- Total net assets are \$301,272. Total assets are \$1,470,859, and total liabilities are \$1,169,587 for the year ended December 31, 2010.
- Overall government-wide revenues totaled \$717,691 and were \$187,529 less than expenses.
- The General Fund's fund balance decreased \$156,015, or 36.2 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 each of the first two statements 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 \$301,272 on December 31, 2010.

	<b>Table 1</b>		
	<b>Net Assets</b>		
	<u>2010</u>	<u>2009</u>	<u>Percent Change (%)</u>
<b>Assets</b>			
Cash and pooled investments	\$ 1,380,986	\$ 2,125,011	-35.0
Taxes receivable - prior	21,310	19,836	7.4
Due from other governments	41,420	8,255	401.8
Capital assets, net	<u>27,143</u>	<u>8,537</u>	217.9
 Total Assets	 <u>\$ 1,470,859</u>	 <u>\$ 2,161,639</u>	 -32.0
<b>Liabilities</b>			
Accounts payable	\$ 85,310	\$ 42,272	101.8
Salaries payable	11,600	8,730	32.9
Due to other governments	1,180	35,554	-96.7
Funds held in trust	1,034,031	1,552,464	-33.4
Long-term liabilities			
Due in more than one year	<u>37,466</u>	<u>33,818</u>	10.8
 Total Liabilities	 <u>\$ 1,169,587</u>	 <u>\$ 1,672,838</u>	 -30.1
<b>Net Assets</b>			
Invested in capital assets	\$ 27,143	\$ 8,537	217.9
Unrestricted	<u>274,129</u>	<u>480,264</u>	-42.9
 Total Net Assets	 <u><u>\$ 301,272</u></u>	 <u><u>\$ 488,801</u></u>	 -38.4

**Table 2**  
**Change in Net Assets**  
**Governmental Activities**

	<u>2010</u>	<u>2009</u>	<u>Percent Change (%)</u>
<b>Revenues</b>			
Program revenues			
Charges, fees, fines and others	\$ 49,266	\$ 4,284	1,050.0
Operating grants and contributions	71,981	2,365	2,943.6
General revenues			
Property taxes	563,141	567,901	-0.8
State aid	30,135	27,440	9.8
Investment income	1,726	5,459	-68.4
Miscellaneous	<u>1,442</u>	<u>-</u>	-
Total Revenues	\$ 717,691	\$ 607,449	18.1
<b>Expenses</b>			
Program expenses			
Conservation of natural resources	<u>905,220</u>	<u>851,152</u>	6.4
Increase (Decrease) in Net Assets	\$ (187,529)	\$ (243,703)	-23.1
Net Assets - January 1	<u>488,801</u>	<u>732,504</u>	-33.3
Net Assets - December 31	<u><u>\$ 301,272</u></u>	<u><u>\$ 488,801</u></u>	-38.4

## **CAPITAL ASSETS**

As of December 31, 2010, the District had \$27,143 invested in net capital assets. (See Table 3.) This amount represents a net increase (including additions and deductions) of \$18,606 or 217.9 percent, from last year.

**Table 3**  
**Capital Assets at Year-End**

	<u>2010</u>	<u>2009</u>
Machinery and equipment	\$ 63,093	\$ 64,258
Less: accumulated depreciation	<u>(35,950)</u>	<u>(55,721)</u>
Net Capital Assets	<u><u>\$ 27,143</u></u>	<u><u>\$ 8,537</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 \$290,285. Revenues for the District's governmental funds were \$716,217, while total expenditures were \$920,178.

### 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	
	2010	2009	Increase (Decrease)	Percent (%)
Taxes	\$ 537,107	\$ 540,460	\$ (3,353)	-0.6
Fess and charges	49,266	4,284	44,982	1050.0
Intergovernmental	32,113	28,415	3,698	13.0
Investment income	1,726	5,459	(3,733)	-68.4
Miscellaneous and other	1,442	-	1,442	N/A
<b>Total General Fund Revenues</b>	<b>\$ 621,654</b>	<b>\$ 578,618</b>	<b>\$ 43,036</b>	<b>7.4</b>

Total General Fund revenues increased by \$43,036, or 7.4 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year. In 2010, the District's tax revenue decreased by \$3,353 compared to 2009. Intergovernmental revenue increased by \$3,698 in total, mostly due to the difference between funds received from the Anoka County Conservation District in 2009 and 2010. State aid, which is also a component of intergovernmental revenue, increased by \$2,695, due to an increase in the tax levy and state aid receipts. An environment of falling interest rates in 2010 along with less cash generated by the tax levy resulted in decreased interest income of near 68 percent. The increase in fees and charges are directly related to 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	
	2010	2009	Increase (Decrease)	Percent (%)
Conservation of natural	<u>\$ 777,669</u>	<u>\$ 812,926</u>	<u>\$ (35,257)</u>	-4.3

**General Fund Budgetary Highlights**

- Actual revenues were \$38,797 more than expected.
- Actual expenditures were \$150,930 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 ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Operations and Maintenance</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>Assets</b>						
Cash and pooled investments	\$ 306,121	\$ -	\$ 40,834	\$ 346,955	\$ -	\$ 346,955
Cash held in trust	1,034,031	-	-	1,034,031	-	1,034,031
Taxes receivable						
Prior	20,458	852	-	21,310	-	21,310
Due from other funds	53,784	-	-	53,784	(53,784)	-
Due from other governments	7,832	33,588	-	41,420	-	41,420
Noncurrent assets						
Capital assets						
Depreciable - net	-	-	-	-	27,143	27,143
<b>Total Assets</b>	<b><u>\$ 1,422,226</u></b>	<b><u>\$ 34,440</u></b>	<b><u>\$ 40,834</u></b>	<b><u>\$ 1,497,500</u></b>	<b><u>\$ (26,641)</u></b>	<b><u>\$ 1,470,859</u></b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable	\$ 80,460	\$ 4,850	\$ -	\$ 85,310	\$ -	\$ 85,310
Salaries payable	11,600	-	-	11,600	-	11,600
Due to other funds	-	53,784	-	53,784	(53,784)	-
Due to other governments	1,180	-	-	1,180	-	1,180
Deferred revenue - unavailable	20,458	852	-	21,310	(21,310)	-
Funds held in trust	1,034,031	-	-	1,034,031	-	1,034,031
Long-term liabilities						
Due in more than one year	-	-	-	-	37,466	37,466
<b>Total Liabilities</b>	<b><u>\$ 1,147,729</u></b>	<b><u>\$ 59,486</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,207,215</u></b>	<b><u>\$ (37,628)</u></b>	<b><u>\$ 1,169,587</u></b>
<b>Fund Balance/Net Assets</b>						
Fund Balance						
Unreserved, designated for working capital cash flow	\$ 274,497	\$ -	\$ -	\$ 274,497	\$ (274,497)	
Undesignated	-	(25,046)	40,834	15,788	(15,788)	
<b>Total Fund Balance</b>	<b><u>\$ 274,497</u></b>	<b><u>\$ (25,046)</u></b>	<b><u>\$ 40,834</u></b>	<b><u>\$ 290,285</u></b>	<b><u>\$ (290,285)</u></b>	
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,422,226</u></b>	<b><u>\$ 34,440</u></b>	<b><u>\$ 40,834</u></b>	<b><u>\$ 1,497,500</u></b>		
Net Assets						
Invested in capital assets					\$ 27,143	\$ 27,143
Unrestricted					274,129	274,129
<b>Total Net Assets</b>					<b><u>\$ 301,272</u></b>	<b><u>\$ 301,272</u></b>

*(Continued)*

**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, 2010**

**Reconciliation of the Governmental Fund Balance to Net Assets**

<b>Fund Balance - Governmental Funds</b>	<b>\$ 290,285</b>
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.	27,143
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities in the funds.	(37,466)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>21,310</u>
<b>Net Assets - Governmental Activities</b>	<b><u>\$ 301,272</u></b>

**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, 2010**

	<u>General Fund</u>	<u>Operations and Maintenance</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>Revenues</b>						
Taxes	\$ 537,107	\$ 24,560	\$ -	\$ 561,667	\$ 1,474	\$ 563,141
Fees and charges	49,266	-	-	49,266	-	49,266
Intergovernmental	32,113	70,003	-	102,116	-	102,116
Investment income	1,726	-	-	1,726	-	1,726
Miscellaneous	1,442	-	-	1,442	-	1,442
<b>Total Revenues</b>	<b>\$ 621,654</b>	<b>\$ 94,563</b>	<b>\$ -</b>	<b>\$ 716,217</b>	<b>\$ 1,474</b>	<b>\$ 717,691</b>
<b>Expenditures/Expenses</b>						
<b>Current</b>						
Conservation of natural resources	777,669	141,937	572	920,178	(14,958)	905,220
<b>Net Change in Fund Balance/ Net Assets</b>	<b>\$ (156,015)</b>	<b>\$ (47,374)</b>	<b>\$ (572)</b>	<b>\$ (203,961)</b>	<b>\$ 16,432</b>	<b>\$ (187,529)</b>
<b>Fund Balance/Net Assets</b>						
<b>January 1</b>	<b>430,512</b>	<b>22,328</b>	<b>41,406</b>	<b>494,246</b>	<b>(5,445)</b>	<b>488,801</b>
<b>December 31</b>	<b>\$ 274,497</b>	<b>\$ (25,046)</b>	<b>\$ 40,834</b>	<b>\$ 290,285</b>	<b>\$ 10,987</b>	<b>\$ 301,272</b>

*(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, 2010**

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

**Net Change in Fund Balance** \$ (203,961)

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	\$ 28,333	
Current year depreciation	<u>(9,727)</u>	18,606

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		(3,648)
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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	\$ 21,310	
Deferred revenue - January 1	<u>(19,836)</u>	<u>1,474</u>

**Change in Net Assets of Governmental Activities** **\$ (187,529)**

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

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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, 2010. 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 94 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, and Ham Lake. 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**

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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 funding, for ditches within the District.

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

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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, 2010, 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 2010 were \$1,726.

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**

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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**

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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), extended medical benefits (EMB), and personal conversion account (PCA) 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 \$44,789 at December 31, 2010. 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**

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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. Fund Equity

In the fund financial statements, designations of fund balance represent tentative management plans subject to change.

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**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The Operations and Maintenance Special Revenue Fund as well as the Ditch Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2010. 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	\$ 346,955
Cash held in trust	<u>1,034,031</u>
Total Cash and Investments	<u><u>\$ 1,380,986</u></u>

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

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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, 2010, the District had no deposits.

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

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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**

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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, 2010, 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, 2010, the District held \$1,380,986 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, 2010, 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, 2010, 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, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets depreciated				
Machinery and equipment	\$ 64,258	\$ 28,333	\$ 29,498	\$ 63,093
Less: accumulated depreciation for				
Machinery and equipment	55,721	9,727	29,498	35,950
Total Capital Assets Depreciated, Net	\$ 8,537	\$ 18,606	\$ -	\$ 27,143

Depreciation expense of \$9,727 was charged to the District's conservation of natural resources function.

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2010 is as follows:

Due From and To Other Funds

	Receivable	Payable	Description
Major Governmental Funds			
General Fund	\$ 53,784	\$ -	Short term loan
Operations and Maintenance Fund	-	53,784	Short term loan
Total Due From and To Other Funds	\$ 53,784	\$ 53,784	

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

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 85,310
Salaries	11,600
Due to other governments	<u>1,180</u>
Total Payables	<u><u>\$ 98,090</u></u>

2. Deferred Revenue

Deferred revenue consists of taxes receivable that are not collected soon enough after year-end to pay liabilities of the current period. Deferred revenue at December 31, 2010, is summarized below by fund:

	<u>Taxes</u>
Governmental Funds	
General	\$ 20,458
Operations and Maintenance Special Revenue	<u>852</u>
Total	<u><u>\$ 21,310</u></u>

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, 2010, is \$37,466, which is an increase of \$3,648 from the payable of \$33,818 at December 31, 2009.



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

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Funds Held in Trust

Funds held in trust at December 31, 2010, consist of the following:

Developer deposits	<u>\$ 1,034,031</u>
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5. Operating Leases

The District entered into an operating lease for office space beginning June 1, 2000, which terminated on May 31, 2010. The District continues to lease the office space on a month to month basis under the terms of the previously terminated contract. The District made lease payments totaling \$17,754 on this lease for the year ended December 31, 2010.

The District entered into an operating lease for a copier beginning December 3, 2007, and terminating on December 3, 2012. The District made lease payments totaling \$2,633 on this lease for the year ended December 31, 2010.

Future minimum lease payments under the operating leases consist of the following at December 31, 2010:

<u>Fiscal Year</u>	<u>Copier</u>
2011	\$ 2,629
2012	<u>2,410</u>
Total	<u>\$ 5,039</u>

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

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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**

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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](http://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 6.0 percent, respectively, of their annual covered salary.

The Coon Creek Watershed District is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00

The Coon Creek Watershed District's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 18,321	\$ 16,909	\$ 15,341

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**

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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, 2010, 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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 539,790	\$ 539,790	\$ 537,107	\$ (2,683)
Fees and charges	14,250	14,250	49,266	35,016
Intergovernmental	28,817	28,817	32,113	3,296
Investment income	-	-	1,726	1,726
Miscellaneous	-	-	1,442	1,442
<b>Total Revenues</b>	<b><u>\$ 582,857</u></b>	<b><u>\$ 582,857</u></b>	<b><u>\$ 621,654</u></b>	<b><u>\$ 38,797</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Personal services	\$ 347,474	\$ 347,474	\$ 348,703	\$ (1,229)
Contractual services	233,473	233,473	276,832	(43,359)
Other services and charges	317,730	317,730	123,080	194,650
Capital outlay	29,922	29,922	29,054	868
<b>Total Expenditures</b>	<b><u>\$ 928,599</u></b>	<b><u>\$ 928,599</u></b>	<b><u>\$ 777,669</u></b>	<b><u>\$ 150,930</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (345,742)</u></b>	<b><u>\$ (345,742)</u></b>	<b><u>\$ (156,015)</u></b>	<b><u>\$ 189,727</u></b>
<b>Fund Balance - January 1</b>	<b><u>430,512</u></b>	<b><u>430,512</u></b>	<b><u>430,512</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 84,770</u></u></b>	<b><u><u>\$ 84,770</u></u></b>	<b><u><u>\$ 274,497</u></u></b>	<b><u><u>\$ 189,727</u></u></b>

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

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
OPERATIONS AND MAINTENANCE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 24,682	\$ 24,682	\$ 24,560	\$ (122)
Intergovernmental	1,318	1,318	70,003	68,685
<b>Total Revenues</b>	<b>\$ 26,000</b>	<b>\$ 26,000</b>	<b>\$ 94,563</b>	<b>\$ 68,563</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other services and charges	50,000	50,000	141,937	(91,937)
<b>Net Change in Fund Balance</b>	<b>\$ (24,000)</b>	<b>\$ (24,000)</b>	<b>\$ (47,374)</b>	<b>\$ (23,374)</b>
<b>Fund Balance - January 1</b>	<b>22,328</b>	<b>22,328</b>	<b>22,328</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (1,672)</b>	<b>\$ (1,672)</b>	<b>\$ (25,046)</b>	<b>\$ (23,374)</b>



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

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other services and charges	-	-	572	(572)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (572)</b>	<b>\$ (572)</b>
<b>Fund Balance - January 1</b>	<b>41,406</b>	<b>41,406</b>	<b>41,406</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>41,406</u></b>	<b><u>41,406</u></b>	<b><u>40,834</u></b>	<b><u>(572)</u></b>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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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. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

The Operation and Maintenance Fund's expenditures were \$91,937 in excess of budget and the Ditch Fund's expenditures were \$572 in excess of budget for the year ended December 31, 2010.