

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Anoka Conservation District 2010 Financial Statements**

The Anoka Conservation District's (ACD) discussion and analysis provides an overview of the Conservation District's financial activities for the fiscal year ended December 31, 2010. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Conservation District's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- Although ACD derived 94 percent (\$807,427.42 of \$859,747.98,) of its revenue from other governmental sources in 2010, all but \$153,600 was acquired competitively through grants or through annual contracts. This means that only 18% of revenues can be relied upon as stable funding from year to year. As such, when preparing the budget, the Board of Supervisors elects to err on the side of caution when speculating on which programs will be funded and the level of staffing that will be needed to implement projects. In a successful year, actual revenues and expenditures will far exceed those budgeted.
- ACD's General Fund Balance decrease by \$58,326.16 in 2010. It is important to note that much of this deficit was due to the purchase of ACD's new office headquarters located at 1318 McKay Drive NE Ham Lake, MN 55304. Purchase of the property required a \$42,777 down payment, closing costs of \$6,974.10, property repairs of \$6,068.98, and property taxes of \$2,486.84 totaling \$58,306.92. Rents received from tenants were sufficient to cover the mortgage interest, utilities, and common grounds maintenance expenses.
- With the implementation of GASB#34 requirements, capital assets are being depreciated, which resulted in a 2010 depreciation of \$9,017.44.
- ACD holds two conservation easements wherein landowners provided funds that were deposited into separate investment accounts. Interest earned may be withdrawn each year to cover the cost of administering the easements. Each account has a base balance of \$10,000 (Kern Easement Administration Account and the Rum River Nature Area Easement Administration Account) for a total of \$20,000. On paper, ACD withdrew the interest from these accounts to cover the cost of annual site inspections conducted by ACD staff. The actual transfer of funds to ACD's checking account didn't occur until 2011. The actual December 31, 2010 balance on these two accounts totaled \$20,007.46. In the case of the Kern easement, the landowner also provided \$20,000 to establish a property management account. The management account is used for habitat restoration projects and may only be used for enhancement of ecosystems the property. At year end, the Kern Easement Management account had a balance of \$18,788.28.
- The District purchased land and buildings for its office headquarters in 2010. Under the terms of the mortgage, total future costs for principal is \$382,866.68 (\$4,833.40 due in 2011 and \$378,033.18 due after 2011). Interest payable under this mortgage is \$104,045.94 (\$22,860.82 due in 2011 and \$81,185.12 due after 2011).
- In 2010 ACD inherited a property from a landowner in St. Francis who bequeathed the 75 acre parcel to the ACD in his will. The land is valued at \$153,000.

## **USING THIS ANNUAL REPORT**

This annual report consists of three parts: management's discussion and analysis, financial statements, and notes to the financial statements. The financial statements include the Statement of Net Assets and Government Fund Balance Sheet and the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance, which provide information about the activities of the Conservation District as a whole and present a longer-term view of the Conservation District's finances. Thereafter, Fund financial statements are provided, which tell how these services were financed in the short term as well as what remains for future spending. The Fund financial statements include; the Budgetary Comparison Schedule General Fund, the Breakdown of County Revenue and the Deferred Revenue Breakdown. Fund financial statements report the Conservation District's operations in more detail than the government-wide statements by providing information about the Conservation District's most significant funds in 2010. Since Conservation District's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Anoka Conservation District has elected to present in this format.

**The Statement of Net Assets and the Statement of Activities** include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Conservation District's net assets and changes in them. You can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health, or financial position. Over time, increases or decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

**The Statement of Net Assets and Governmental Fund Balance Sheet** shows ACD's net assets to be \$138,917.01, however much of this value is tied to the value of the land held by the ACD. Ideally, the Board of Supervisors would like to have sufficient undesignated funds to cover 6 months of operating expenses, which would equate to \$283,372.96 in 2010. The current undesignated fund is only \$38,719.96. The purchase of the office headquarters on McKay Drive and the receipt of a gift of land by Herbert Beach in St. Francis resulted in large adjustments to the assets and liabilities of the districts. While the relationship between long term and short term principal and interest for the McKay property and value of the Beach property is explained in the Notes to the Financial Statements it was necessary to make one entry to the General Fund to reflect the Mortgage Principal paid in 2010 under Liabilities as this is not reflected elsewhere in the report. Principal payments toward the mortgage serve to reduce the liability and so do not record as an expense but function more like a transfer between accounts; Checking (Asset) and Mortgage Principle (Liability).

**The Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance** is intended to show the differentiation of expenses between operational functions. As of 2010, ACD's purchase of the office complex that includes several rentable suites has added land operation as a non-conservation related function of the district. As a percentage of district operations it remains small at only 7.7%.

**The Fund Financial Statements** provides detailed information about the general fund not the Conservation District as a whole. The Conservation District presents only a general fund, which is a governmental fund. All of the Conservation District's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances

left at year-end that are available for spending. The fund is 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. The general fund statements provide a detailed short-term view of the Conservation District's 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 the Conservation District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### **Budgetary Comparison**

The Conservation District budget is composed primarily of competitive grants and service fees. Of the \$859,747.98 in 2010 revenue, \$172,691.00 is relatively stable (\$153,600.00 in county general services and \$19,091.00 in state general services). Of the \$83,365.71 variance in Intergovernmental Revenues \$81,568.89 was in State grants. This was due to Clean Water Funds that were received as revenue at the end of the year instead of being deferred as planned, due to the balancing expenses being incurred prior to year end.

A positive variance of \$11,836.00 in Miscellaneous revenue for Rents was experienced primarily because ACD has opted to pay ourselves rents of \$2,065/month (for the five months we've occupied the newly purchased office) to help segregate our conservation related function from our land operations function. This revenue was offset by an equal expense under District Operations: Other Services and Charges.

A positive variance of \$13,191.89 in Personnel Services expenses was experienced due to some positions being filled later than anticipated. Under Project expenditures: State a negative variance of \$105,865.01 was experienced primarily due to the Clean Water Fund expenses noted in the first paragraph of this section. \$19,825.22 of this was due to pushing all of Wetland Conservation Act portions of the Natural Resources Block Grant (WCA NRBG) expenses to a calendar year. NRBG expenses may be incurred beginning as early as July 1, corresponding to the state fiscal year. In prior years, some WCA NRBG expenses were reimbursed during the first six months of the fiscal year, leaving only a portion of the grant deferred to the following year. In 2010 all expenses were reimbursed with funds remaining from the 2010 NRBG received in 2009, leaving all of the 2011 NRBG received in 2010 to be deferred to 2011. This resulted in ACD paying out a greater percentage to participating LGUs.

### **CONTACT THE CONSERVATION DISTRICT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Conservation District's finances and to show the Conservation District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Conservation District's Manager 1318 McKay Drive NE Suite 300 Ham Lake, MN 55304, [chris.lord@anokaswcd.org](mailto:chris.lord@anokaswcd.org), 763-434-2030 extension 13.

ANOKA CONSERVATION DISTRICT  
HAM LAKE, MINNESOTA

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR DECEMBER 31, 2010

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$ 445,463.63		\$ 445,463.63
Accounts receivable	\$ 650.00		\$ 650.00
Due from other governments	\$ 73,110.40		\$ 73,110.40
Other current assets (Easement endowments)	\$ 38,795.74		\$ 38,795.74
Prepaid items	\$ 11,710.46		\$ 11,710.46
Undeposited Funds	\$ -		\$ -
Capital assets not being depreciated			\$ -
Land			\$ -
McKay		\$ 150,000.00	\$ 150,000.00
Beach		\$ 153,000.00	\$ 153,000.00
Capital assets net of accumulated depreciation			
McKay		\$ 277,777.00	\$ 277,777.00
Equipment		\$ 18,656.82	\$ 18,656.82
<b>Total Assets</b>	<b><u>\$ 569,730.23</u></b>	<b><u>\$ 599,433.82</u></b>	<b><u>\$ 1,169,164.05</u></b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$ 116,469.81		\$ 116,469.81
Salaries payable	\$ -		\$ -
Deposits on sales	\$ 2,419.72		\$ 2,419.72
Easement Escrows	\$ 38,795.74		\$ 38,795.74
Wellness Fund	\$ 252.77		\$ 252.77
Sales Tax Payable	\$ 0.10		\$ 0.10
Deferred revenue	\$ 354,171.57		\$ 354,171.57
Short-term liabilities:			
McKay Mortgage Principle		\$ 4,833.50	\$ 4,833.50
McKay Mortgage Interest		\$ 22,860.82	\$ 22,860.82
Long-term liabilities: (due after one year)			
McKay Mortgage Principle	\$ (1,955.82)	\$ 379,989.00	\$ 378,033.18
McKay Mortgage Interest		\$ 81,185.12	\$ 81,185.12
Compensated absences		\$ 31,224.71	\$ 31,224.71
<b>Total Liabilities</b>	<b><u>\$ 510,153.89</u></b>	<b><u>\$ 520,093.15</u></b>	<b><u>\$ 1,030,247.04</u></b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$ 11,710.46	\$ (11,710.46)	\$ -
Unreserved			\$ -
Designated for future projects	\$ 9,145.92	\$ (9,145.92)	\$ -
Undesignated	\$ 38,719.96	\$ (38,719.96)	\$ -
<b>Total Fund Balance</b>	<b><u>\$ 59,576.34</u></b>	<b><u>\$ (59,576.34)</u></b>	<b><u>\$ -</u></b>
Net Assets			
Invested in capital assets		\$ 599,433.82	\$ 599,433.82
Unrestricted		\$ (460,516.81)	\$ (460,516.81)
<b>Total Net Assets</b>		<b><u>\$ 138,917.01</u></b>	<b><u>\$ 138,917.01</u></b>

ANOKA CONSERVATION DISTRICT  
HAM LAKE, MINNESOTA

STATEMENT OF ACTIVITIES AND  
FUND GOVERNMENTAL REVENUES,  
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Adjustments See Notes	Statement of Net Activities
<b>Revenues</b>			
Intergovernmental	\$ 617,930.89		\$ 617,930.89
Charges for services	\$ 215,707.79		\$ 215,707.79
Investment earnings	\$ 571.41		\$ 571.41
Rents	\$ 20,696.00		\$ 20,696.00
Miscellaneous	\$ 4,841.89		\$ 4,841.89
<b>Total Revenues</b>	<b><u>\$ 859,747.98</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 859,747.98</u></b>
<b>Expenditures/Expenses</b>			
Land Operation			
Current	\$ 27,548.04		
Capital outlay	\$ 42,777.00		
Conservation			
Current	\$ 845,185.06	\$ 13,214.44	\$ 858,399.50
Capital outlay	\$ 2,564.04	\$ (2,564.04)	\$ -
<b>Total Expenditures/Expenses</b>	<b><u>\$ 918,074.14</u></b>	<b><u>\$ 10,650.40</u></b>	<b><u>\$ 858,399.50</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$ (58,326.16)</b>	<b>\$ (10,650.40)</b>	<b>\$ (68,976.56)</b>
<b>Fund Balance/Net Assets January 1</b>	<b>\$ 117,902.50</b>	<b>\$ (1,946.49)</b>	<b>\$ 115,956.01</b>
<b>Fund Balance/Net Assets December 31</b>	<b><u>\$ 59,576.34</u></b>	<b><u>\$ (12,596.89)</u></b>	<b><u>\$ 46,979.45</u></b>

ANOKA CONSERVATION DISTRICT  
HAM LAKE, MINNESOTA

BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2010

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
<b>Revenues</b>			
<b>Intergovernmental</b>			
County	\$ 172,100.00	\$ 173,785.00	\$ 1,685.00
Regional	\$ 60,867.91	\$ 60,979.73	\$ 111.82
Other governments			\$ -
State grant	\$ 362,577.00	\$ 444,145.89	\$ 81,568.89
<b>Total intergovernmental</b>	<b>\$ 595,544.91</b>	<b>\$ 678,910.62</b>	<b>\$ 83,365.71</b>
<b>Charges for services</b>	<b>\$ 151,085.00</b>	<b>\$ 154,728.06</b>	<b>\$ 3,643.06</b>
<b>Miscellaneous</b>			
Rents	\$ 8,860.00	\$ 20,696.00	\$ 11,836.00
Interest earnings	\$ 500.00	\$ 571.41	\$ 71.41
Other	\$ 4,842.00	\$ 4,841.89	\$ (0.11)
<b>Total miscellaneous</b>	<b>\$ 14,202.00</b>	<b>\$ 26,109.30</b>	<b>\$ 11,907.30</b>
<b>Total Revenues</b>	<b>\$ 760,831.91</b>	<b>\$ 859,747.98</b>	<b>\$ 98,916.07</b>
<b>Expenditures</b>			
<b>Land operations</b>			
Debt service - McKay Interest	\$ 8,000.00	\$ 8,429.54	\$ (429.54)
McKay Property Principle			\$ -
McKay Expenses	\$ 20,160.00	\$ 19,118.50	\$ 1,041.50
McKay Capital Outlay	\$ 42,777.00	\$ 42,777.00	\$ -
<b>Total land operations</b>	<b>\$ 70,937.00</b>	<b>\$ 70,325.04</b>	<b>\$ 611.96</b>
<b>District operations</b>			
Personal services	\$ 520,309.50	\$ 507,117.61	\$ 13,191.89
Other services and charges	\$ 45,568.00	\$ 54,596.44	\$ (9,028.44)
Supplies	\$ 2,500.00	\$ 2,467.83	\$ 32.17
Capital outlay	\$ 2,564.00	\$ 2,564.04	\$ (0.04)
<b>Total district operations</b>	<b>\$ 570,941.50</b>	<b>\$ 566,745.92</b>	<b>\$ 4,195.58</b>
<b>Project expenditures</b>			
District	\$ 67,985.21	\$ 66,913.80	\$ 1,071.41
State	\$ 108,224.37	\$ 214,089.38	\$ (105,865.01)
<b>Total project expenditures</b>	<b>\$ 176,209.58</b>	<b>\$ 281,003.18</b>	<b>\$ (104,793.60)</b>
<b>Total Expenditures</b>	<b>\$ 818,088.08</b>	<b>\$ 918,074.14</b>	<b>\$ (99,986.06)</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ (57,256.17)</b>	<b>\$ (58,326.16)</b>	<b>\$ (1,069.99)</b>
<b>Fund Balance - January 1</b>	<b>\$ 117,902.50</b>	<b>\$ 117,902.50</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 60,646.33</b>	<b>\$ 59,576.34</b>	<b>\$ (1,069.99)</b>

**BREAKDOWN OF COUNTY REVENUE  
2010**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ <u>153,600.00</u>
WATER PLAN MONEY	\$ <u>0.00</u>
WETLAND MONEY	\$ <u>0.00</u>
FEEDLOT MONEY	\$ <u>0.00</u>
ABANDONED WELL	\$ <u>0.00</u>
DNR SHORELAND	\$ <u>0.00</u>
OTHER (Ag. Preserves)	\$ <u>20,185.00</u>
TOTAL	\$ <u>173,785.00</u>

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule."

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

- Processing payroll, insurance and unemployment
- Legal and administrative services and support, and
- Liability, automobile and workers compensation insurance

**DEFERRED REVENUE BREAKDOWN  
2010**

Balance of BWSR Service Grants: \$ 0.00

Balance of unencumbered BWSR Cost-Share Grants Total: \$ 18,187.25

Native Buffers 2008 \$ 630.00

State Cost Share 2010 \$ 6,802.25

State Cost Share 2011 \$ 10,755.00

Balance of encumbered BWSR Cost-Share Grant (list each contract separately):

FY	Contract No.	Remaining Contract Amount	TA Encumbered
2008	NBCS FY08-04	6,006.74	0.00
2008	NBCS FY08-10-01	1,064.75	266.19
2008	NBCS FY08-10-02	2,431.25	607.81
2009	CS FY10-03	9,446.15	2,361.54
2010	CS FY09-01	3,075.00	768.75
Total of all Cost-Share Encumbrances			\$ <u>26,028.18</u>

Balance of 2009 WCA Enforcement Funds \$ 15,515.06

Balance of 2010 WCA Enforcement Funds \$ 9,500.00

Balance of 2011 MPCA SSTS Block Grant \$ 9,931.00

Balance of 2011 WCA Block Grant \$ 62,129.00

Balance of 2011 Shoreland Block Grant \$ 2,571.00

Balance of 2011 Local Water Plan Block Grant \$ 7,958.00

Anoka Directed Clean Water Fund Assessments \$ 11,943.71

Anoka Directed Clean Water Fund Installation \$ 97,894.75

Anoka Directed Clean Water Fund Staffing \$ 39,225.00

Balance of other funds being deferred (list if any):

Ag. Preserves – Backyard Cons. Design \$ 6,164.26

Ag. Preserves – Easement Starter Fund \$ 10,000.00

Ag. Preserves – Water Quality Improvement CS \$ 1,311.20

LRRWMO Cost Share \$ 1,571.58

SRWMO Cost Share \$ 6,178.17

URRWMO Cost Share \$ 2,490.00

Martin Lake Assessment \$ 8,000.00

Website \$ 775.00

Met Council WOMP \$ 16,198.41

Security Deposit \$ 600.00

Subtotal of other funds: \$ 53,288.62

TOTAL OF ALL DEFERRED REVENUE: \$ 354,171.57

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Anoka Conservation District (District) conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Statement 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

A. Financial Reporting Entity

The district is organized under the provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Anoka Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan that is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Anoka County because, even though the County provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

B. Basis of Presentation – Fund Accounting

The accounts of the Anoka Conservation District are organized on a basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

1. Government Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture, equipment, land and buildings.

3. General Long-Term Account Group

This account group records earned but unpaid leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

Government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the non-fiduciary activities of the district. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liabilities is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

D. Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues is recognized when the corresponding expenditures are incurred. The District also receives an annual appropriation from the County, which is recognized as revenue when received.

Investment earnings are recognized when earned. Revenues and expenditures from tree sales are recognized during the year that the trees are distributed to the customer.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

E. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the

financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. The District does not use encumbrance accounting.

F. Assets, Liabilities, and Equity Accounts

1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Fixed assets (capital assets) are reported on a net (depreciated) basis. Fixed assets are valued at historical or estimated historical cost. The value of raw land assets is not depreciated, whereas structures are.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an Adjustment.

3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Reserved fund balance indicates the portion of the fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

Unreserved, designated account indicates the portion of fund equity that the district has set aside for planned future expenditures.

Unreserved, undesignated fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

G. Explanation of Adjustments Column in Statements

1. Capital Assets

In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made for the District's capital assets. This adjustment equals the net book balance of capitalized assets as of the report dates, and reconciles the amount reported in Note IV.

2. Short-Term Liabilities

Principal and interest payments on the district headquarters mortgage due within one year are reported as short-term liabilities.

### 3. Long-Term Liabilities

In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absences liability the district has as of the report date. See Note I-H and Note VI below. Principal and interest payments on the district headquarters mortgage due after one year are also reported as long term liabilities.

### 4. Depreciation and Change in Compensated Absences for the Year

In the Statement of Activities and Government Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and Note VI below.

### H. Vacation and Sick Leave

Under the District's personnel policies, employees are granted Flexible Time Off (FTO) in varying amounts based on their length of service. FTO may be used for vacation, illness or other personal matters. FTO accrual varies from twenty-four to thirty-three days per year for full time employees. An additional Extended Medical benefit (EMB) is accrued at a rate of eight days per year. The limit on the carry over of accumulated FTO from one year to the next is 240 hours and EMB is 720 hours. Upon separation from the District in good standing, employees are paid accrued FTO up to 240 hours. EMB is not paid out upon separation.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. General Fund Balance

There was no deficit of the General Fund at December 31, 2010. The District's General Fund had a positive fund balance of \$59,576.34.

### B. Expenditures compared to Budget

During 2010, actual expenditures, \$918,074.14, exceeded budgeted expenditures, \$818,088.08, by \$99,986.06.

### C. Collateral for Deposits

During 2010, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

## III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2010, the District's deposits totaled \$484,415.37, of which \$435,358.85 were cash deposits and \$48,800.52 was invested in the Wells Fargo Advantage Funds Government

Money Market Funds (\$10,004.78 in the general investment account, \$18,788.28 in the Kern Property Management account, \$10,003.24 in the Kern Easement Admin account, and \$10,004.22 in the Rum River Easement Admin account) meeting all state guidelines. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2010, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2010	\$ <u>25,081.22</u>
Additions	\$ <u>583,370.04</u>
Deletions (disposal of equipment)	\$ <u>0.00</u>
Deletions (2010 depreciation)	\$ <u>(9,017.44)</u>
Balance December 31, 2009	\$ <u>599,433.82</u>

2010 capital additions include three HP Pavilion notebook computers for a total of \$1,497.61, a Garmin GPS for \$547.43, a raw land donation by Herbert Beach valued at \$153,000, the value of the land for the office headquarters purchased by ACD of \$150,000 and the office headquarters structures valued at \$277,777. The computers and GPS assets fall under the category of Equipment and are depreciated. The buildings are classified as structures and are depreciated while the land is not depreciated.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources, the Metropolitan Council, local partners, and Anoka County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$ 354,171.57

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2009 are:

Balance January 1, 2010	\$ <u>27,027.71</u>
Landscape Restoration Salaries	\$ 4,018.91

As of October 1, 2008, the District entered into an agreement with the Metropolitan Technical Service Area Joint Powers Board (Metro Conservation Districts) whereby the Metro Conservation Districts is liable to hold sufficient funds to cover compensated absences for Landscape Restoration Program employees.

ACD Salaries	\$ 31,224.71
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X. OPERATING LEASES

The District purchased office space in 2010 and secured a mortgage for 90% of the principal, providing a 10% down payment. The property has four rentable suites in addition to the occupied space. To facilitate the segregation of expenses, ACD pays itself monthly rent to cover the occupied space at a rate of \$2,065/month gross (\$24,780 in 2011). Additionally, ACD has a lease agreement with a tenant for \$850/month gross that expires July 31, 2011 (\$5,950 secured contract for 2011) and a three year lease with another tenant that will provide \$17,140 in rents for 2011. The 6.00% interest rate mortgage is held by TruStone Credit Union with a 12/31/2011 principal balance of \$382,866.68 (\$4,833.40 due in 2011 and \$378,033.18 due after 2011). Interest payable under this mortgage is \$104,045.94 (\$22,860.82 due in 2011 and \$81,185.12 due after 2011).