

**RAMSEY CONSERVATION DISTRICT
ARDEN HILLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENT
December 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Ramsey Conservation District (District) conform to generally accepted accounting principles.

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 Ramsey 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 Ramsey 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. Basic Financial Statements

The basic financial statements combine fund level financial statements (General Fund column) and the government-wide financial statements (governmental activities column). These statements include the financial activities of the Ramsey Conservation District overall.

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The government-wide columns 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 Ramsey Conservation District's net assets are reported in two parts: (1) invested in capital assets; and (2) unrestricted net assets.

The Ramsey Conservation District reports one governmental fund. The General Fund is used to account for all revenues and expenditures incurred in operating the District.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund columns (General Fund) 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Ramsey Conservation District considers all revenues to be available if collected within 60 days after the end of the current period. Revenue sources susceptible to accrual include Intergovernmental revenues, charges for services, and interest. Expenditures are recorded when the related fund liability is incurred.

D. Reconciliation of Government-Wide and Fund Financial Statements

The financial statements include an adjustments column to reconcile the General Fund to the governmental activities. The details of the adjustments are:

Balance Sheet to Statement of Net Assets

Amounts reported for governmental activities are different from those reported in the General Fund because capital assets, net of depreciation, of \$812 are not financial resources and, therefore, are not reported in the General Fund. Long-term liabilities, of \$17,780, are not due and payable in the current period and therefore not included in the fund.

Statement of Activities

Amounts reported for governmental activities in the Statement of Activities differ from the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance because of the differences in reporting capital assets and long-term liabilities.

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The General Fund reports additions to capital assets of \$785, as capital outlay expenditures while governmental activities report depreciation expense of \$693, which allocates the cost of capital assets over their estimated useful lives. The Statement of Activities reports the loss on disposal of capital assets of \$0 as an expense. This loss is not reported in General Fund because the capital assets were reported as an expenditure when purchased. The decrease in compensated absences, \$6,343, is not reported by the General Fund as current year expenditures but is reported in the governmental activities. The difference, \$7,128, is reported as an adjustment to expenditures.

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. Appropriations lapse at year-end. 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. Capital assets are still valued at historical or estimated historical cost.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the Statement of Net Assets.

3. Equity

The unassigned fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

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G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from ten to 13.33 hours per month. Sick leave accrual is 15 days per year. The limit on the accumulation of annual leave is 400 hours and the limit on the accumulation of sick leave is 1,000 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to zero hours of accrued sick leave. Upon termination by illness or death, employees are paid accrued vacation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Uncollateralized Deposits

During 2011, 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. The District's cash is kept in custody by the Ramsey County Treasurer.

IV. CHANGES IN GENERAL CAPITAL ASSETS

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Equipment	\$ 52,433	\$ 785	(5,889)	\$ 47,329
Less: Accumulated Depreciation	<u>(51,713)</u>	<u>(693)</u>	<u>5,889</u>	<u>(46,517)</u>
Total Equipment, Net	<u>\$ 720</u>	<u>\$ 92</u>	<u>\$ 0</u>	<u>\$ 812</u>

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V. DEFERRED REVENUE

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

Total Deferred Revenue unearned is \$359,006.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2011 are:

Balance January 1, 2011	\$ 24,123
Net Changes in Compensated Absences	<u>(6,343)</u>
Balance December 31, 2011	\$ <u>17,780</u>

Adjustments to Financial Statements

Under GASB #34, the modified accrual basis of accounting in the Governmental Funds must be converted to a full accrual basis for the entity-wide statements. The following adjustments are made for the conversion:

Depreciation Expense of \$693 is recognized as expense under the full accrual basis.

Compensated Absences is recognized as a long-term Liability of \$17,780.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Workers Comp Assigned Risk. The District is covered for errors and omissions through insurance carried by Ramsey County.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

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VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the web at 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

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Plan members were required to contribute 6.25% of their covered salary in 2011. The District was required to contribute 7.25%. Employee and Employer contribution rates will remain the same for 2012. The District's employer share of contributions to PERA for the years ending December 31, 2011, 2010, and 2009 were \$11,199, \$13,458, and \$18,794 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space at the Ramsey County Public Works Campus under the terms of a 40 year lease. Under the current agreement, total costs for 2011 were \$10,348.

**RAMSEY CONSERVATION DISTRICT
ARDEN HILLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(Unaudited)**

As management of the Ramsey Conservation District, we offer readers of the Ramsey Conservation District's financial statements this narrative overview and analysis of the financial activities of the Ramsey Conservation District for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$14,832 for the year. This increase was primarily due to a decrease in personal service costs resulting from staff reduction.
- At the close of the fiscal year, the District's governmental fund reported ending fund balance of \$86,435 of which \$86,435 was available for spending at the District's discretion.
- At the close of the fiscal year, the fund balance of the General Fund represented 18.5 percent of total General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The Ramsey Conservation District's basic financial statements consist of two statements that combine government-wide financial statements and fund financial statements, a budgetary comparison schedule, and notes to the financial statements. The Management's Discussion and Analysis (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The first column of each of the first two statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) in the center column of each statement.

The third column in each statement presents the governmental activities' Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Board as a whole and present a longer-term view of the District's finances. These columns include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by 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. Over time, increases or decreases

in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund financial statements. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Ramsey Conservation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

The Ramsey Conservation District adopts an annual budget for its General Fund. A Budgetary Comparison Schedule has been provided in the required supplementary information section of this report.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the exhibits in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended December 31, 2011, the Ramsey Conservation District's net assets increased by \$14,832. The increase was primarily due to a decrease in personal service costs resulting from staff reduction.

		NET ASSETS	
		Governmental Activities	
		<u>2011</u>	<u>2010</u>
Current and Other Assets		\$475,667	\$454,116
Capital Assets		<u>812</u>	<u>720</u>
	Total Assets	476,479	454,836
Other Liabilities		389,232	376,078
Long-term Liabilities		<u>17,780</u>	<u>24,123</u>
	Total Liabilities	407,012	400,201
Net Assets:			
Invested in Capital Assets		812	720
Unrestricted		<u>68,655</u>	<u>53,915</u>
	Total Net Assets	<u>\$69,467</u>	<u>\$54,635</u>

CHANGE IN NET ASSETS
Governmental Activities

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$327,727	\$396,171
Charges for Services	146,093	107,388
Miscellaneous	<u>848</u>	<u>613</u>
Total Revenues	<u>474,668</u>	<u>504,172</u>
Expenses		
Conservation of Natural Resources	<u>459,836</u>	<u>575,796</u>
Increase/(Decrease) in Net Assets	14,832	(71,624)
Net Assets - January 1	<u>54,635</u>	<u>126,259</u>
Net Assets - December 31	\$ <u>69,467</u>	\$ <u>54,635</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As noted earlier, the Ramsey Conservation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Ramsey Conservation District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Increase (Decrease)</u>
General Fund	\$474,668	\$466,271	\$8,397

- The fund balance in the General Fund increased by \$8,397 for the year, due to a decrease in personal service costs resulting from staff reduction.

General Fund Budgetary Highlights

Over the course of the year, the budget was revised to recognize additional revenue and expenditures related to providing services to other local governments and for projects. Budgeted revenue exceeded actual revenue by \$24,874. The primary factors in the negative variance were lower than anticipated agricultural conservation fees collected and deferred revenue in projects not completed. Actual expenditures were under budget by \$33,271. This was largely due to unspent funds in projects. As noted above these variances resulted in a budget surplus of \$8,397.

Capital Asset Administration

The District's investment in capital assets (equipment) as of December 31, 2011, amounts to \$812 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following: purchase and retirement of computer hardware.

PROJECTS AND OTHER ITEMS

The following is a discussion regarding major District expenditures and projects, with the understanding that many of the projects cover several fiscal years.

- Through partnerships with local Watershed Districts and Water Management Organizations, the RCD will provide technical assistance for storm water best management practices (BMPs), such as raingardens, and administrative cost-share programs that are available to Ramsey County property owners.
- Implement all provisions required of soil and water conservation districts as prescribed in the MN Wetland Conservation Act (assist DNR and local LGUs enforce WCA, consult with local units of government administering the law, report WCA admin and wetland impact statistics to BWSR).
- Manage an administrative services cost-share program (funded by BWSR) providing reimbursement to local governmental units administering the MN WCA.
- Work with surrounding agencies in implementing sub-watershed stormwater retrofit analysis studies.
- Provide well sealing cost-share for Ramsey County residents in drinking water supply management and well head protection areas, with funding provided by the Clean Water Fund.
- Collaborate with partners on groundwater protection information and initiatives.
- Collaborate efforts with multiple organizations such as Blue Thumb, Ramsey County Environmental Department, and Ramsey County Municipalities to promote conservation education for the citizens of Ramsey County.
- Attend and promote conservation practices at expos and school functions such as Living Green Expo, Phalen Waterfest, Envirothon and Children's Waterfest.
- Provide internships to current college students to offer experience working in the natural resource field.
- Provided contract construction site soil erosion control permit inspection services for the MN Pollution Control Agency in the cities of Shoreview and Arden Hills.
- Provide partnership with the Ramsey County Cooperative Weed Management Program.
- Managed the Ramsey County volunteer Rain Gauge Network.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- The unemployment rate for Ramsey County was 6.7 percent in 2011, which is consistent with the Ramsey Conservation District's rate.
- Inflationary trends in the District's region compare favorably with national levels.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Ramsey Conservation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ramsey Conservation District, 1425 Paul Kirkwold Drive, Arden Hills, Minnesota 55112.

EXHIBIT A

RAMSEY CONSERVATION DISTRICT
ARDEN HILLS, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 440,048	\$ -	\$ 440,048
Due from other governments	35,619	-	35,619
Capital Assets:		-	
Equipment (net of accumulated depreciation)		812	812
Total Assets	475,667	812	476,479
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	4,010	-	4,010
Salaries payable	10,291	-	10,291
Due to other governments	15,925	-	15,925
Deferred revenue/Unearned	359,006		359,006
Long-term liabilities:			
Due after one year		17,780	17,780
Total Liabilities	389,232	17,780	407,012
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unassigned	86,435	(86,435)	-
Total Fund Balance	\$ 86,435	(86,435)	-
Net Assets			
Invested in capital assets		812	812
Unrestricted		68,655	68,655
Total Net Assets		\$ 69,467	\$ 69,467

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

EXHIBIT B

RAMSEY CONSERVATION DISTRICT
ARDEN HILLS, MINNESOTASTATEMENT OF ACTIVITIES AND
GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments See Notes	Statement of Net Assets
Revenues			
Intergovernmental	\$ 327,727	\$ -	\$ 327,727
Charges for services	146,093	-	146,093
Miscellaneous	848	-	848
Total Revenues	474,668	-	474,668
Expenditures/Expenses			
Conservation			
Current	466,271	(7,128)	459,143
Depreciation		693	693
Total Expenditures/Expenses	466,271	(6,435)	459,836
Excess of Revenues Over (Under)			
Expenditures/Expenses	8,397	6,435	14,832
Fund Balance/Net Assets January 1	78,038	(23,403)	54,635
Fund Balance/Net Assets December 31	\$ 86,435	\$ (16,968)	\$ 69,467

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

RAMSEY CONSERVATION DISTRICT
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BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$ 172,683	\$ 116,845	\$ 92,618	\$ (24,227)
Local governments	-	-	12,500	12,500
State grant	92,500	270,147	222,609	(47,538)
Total intergovernmental	265,183	386,992	327,727	(59,265)
Charges for services	80,257	112,550	146,093	33,543
Miscellaneous				
Other	-	-	848	848
Total miscellaneous	-	-	848	848
Total Revenues	345,440	499,542	474,668	(24,874)
Expenditures				
District operations				
Personal services	288,799	239,335	230,087	9,248
Other services and charges	51,091	65,815	72,421	(6,606)
Supplies	1,800	2,800	2,603	197
Capital outlay	3,750	1,750	785	965
Total district operations	345,440	309,700	305,896	3,804
Project expenditures				
District	-	-	2,552	(2,552)
State	-	189,842	157,823	32,019
Total project expenditures	-	189,842	160,375	29,467
Total Expenditures	345,440	499,542	466,271	33,271
Excess of Revenues Over (Under)				
Expenditures	-	-	8,397	8,397
Fund Balance - January 1	78,038	78,038	78,038	-
Fund Balance - December 31	\$ 78,038	\$ 78,038	\$ 86,435	\$ 8,397

**BREAKDOWN OF COUNTY REVENUE
2011**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 92,618
WATER PLAN MONEY	\$
WETLAND MONEY	\$
FEEDLOT MONEY	\$
ABANDONED WELL	\$
DNR SHORELAND	\$
OTHER (specify)	\$
TOTAL	\$ 92,618

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.

Budgeting and Accounting Services

**DEFERRED REVENUE BREAKDOWN
2011**

Balance of BWSR Service Grants: \$ 0

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 23,560

Previous fiscal year \$ 234,368

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

<u>FY</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>T & A Encumbered</u>

Total of all Cost-Share Encumbrances \$ _____

Balance of County WCA Funds: \$ 19,114

Balance of County Water Plan Funds: \$ _____

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

Clean Water Legacy \$ 72,033__

Subsurface Sewage Treatment System Regulation \$ 9,931__

_____ \$ _____

Subtotal of other funds: \$ 81,964_____

TOTAL OF ALL DEFERRED REVENUE: **\$359,006_____**