

# **NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY**



## **FINANCIAL REPORT**

Year Ended December 31, 2006

HE  
2771  
-M5  
N66  
2008

Prepared by Finance and Central Services Division of Anoka County, Minnesota  
Cevin Petersen, Director of Accounting and Budget

RECEIVED

MAY -- 2011

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

# Northstar Corridor Development Authority

Financial Report  
Year Ended December 31, 2006



Prepared by Finance and Central Services Division of Anoka County, Minnesota  
Cevin Petersen, Director of Accounting and Budget  
2100 3<sup>rd</sup> Avenue  
Anoka, Minnesota 55303-2265

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

TABLE OF CONTENTS

|   | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>INTRODUCTORY SECTION</b>   |                  |             |
| Organizational Chart  |                  | 2           |
| <b>FINANCIAL SECTION</b>  |                  |             |
| Independent Auditor's Report  |                  | 4           |
| Management's Discussion and Analysis  |                  | 6           |
| <b>BASIC FINANCIAL STATEMENTS</b>   |                  |             |
| Statement of Net Assets and Governmental Fund Balance Sheet   | Exhibit 1        | 11          |
| Statement of Activities and Governmental Fund Revenues,<br>Expenditures and Changes in Fund Balance | Exhibit 2        | 12          |
| Notes to the Financial Statements   |                  | 13          |
| <b>REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&amp;A)</b>                                     |                  |             |
| Budgetary Comparison Schedule<br>General Fund   | Schedule 1       | 18          |
| Notes to the Required Supplementary Information   |                  | 19          |

**RECEIVED**  
MAR 13 2008  
LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

## INTRODUCTORY SECTION

# NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY

## Organization - 2006

| Affiliate                | Member <sup>(1)</sup>                                | Alternate <sup>(1)</sup>                  |
|--------------------------|--|---|
| Anoka County             | Dennis Berg, Commissioner                            | Dan Erhart, Commissioner                  |
| Anoka County RRA         | Dan Erhart, Commissioner - Vice Chair <sup>(2)</sup> | Tim Yantos, Deputy Administrator          |
| Benton County            | Duane Grandy, Commissioner - Chair <sup>(2)</sup>    | Duane Walter, Commissioner                |
| Benton County RRA        | Dan Lieser, Commissioner                             | Richard Soyka, Commissioner               |
| Hennepin County RRA      | Mark Stenglein, Commissioner                         | Peter McLaughlin, Commissioner            |
| Morrison County          | Don Meyer, Commissioner                              | Eugene Young, Commissioner                |
| Morrison County RRA      | Tom Wenzel, Commissioner                             | Jeff Schilling, Commissioner              |
| Sherburne County         | Terry Nagorski, Commissioner                         | Felix Schmiesing, Commissioner            |
| Sherburne County RRA     | Arne Engstrom, Commissioner                          | John Riebel, Commissioner                 |
| Stearns County           | Leigh Lenzmeier, Commissioner                        | DeWayne Mareck, Commissioner              |
| City of Anoka            | Carl Anderson, Councilmember                         | Carolyn Braun, Councilmember              |
| City of Becker           | Ken Paulson, Mayor                                   | Kelli Neu, Community Development Director |
| City of Big Lake         | Patricia May, Councilmember                          | Patrick Wussow, Administrator             |
| City of Blaine           | Tom Ryan, Mayor                                      | Ron Wood, City Manager                    |
| City of Clear Lake       | Amy Dinkel-VanValkenburg, Councilmember              | William Kiffmeyer, Mayor                  |
| City of Columbia Heights | Bruce Nawrocki, Councilmember                        | Walt Fehst, City Manager                  |
| City of Coon Rapids      | Scott Schulte, Councilmember                         | Bruce Sanders, Councilmember              |
| City of Elk River        | Paul S. Motin, Councilmember                         | Stephanie Klinzing, Mayor                 |
| City of Fridley          | Robert Barnette, Councilmember                       | Steve Billings, Councilmember             |
| City of Minneapolis      | Paul Ostrow, Councilmember                           | Diane Hofstede, Councilmember             |
| City of Ramsey           | Tom Gamec, Mayor                                     | David Elvig, Councilmember                |
| City of Rice             | Lyn Mohs, Councilmember                              | Les Mateffy/Joseph Voigt, Councilmembers  |
| City of Sauk Rapids      | Art Daniels, Councilmember                           | None                                      |
| City of Spring Lake Park | Jeanne Mason, Councilmember                          | None                                      |
| City of St. Cloud        | Bob Johnson, Councilmember                           | Sonja Hayden-Berg, Councilmember          |
| Becker Township          | Mark Limpert, Supervisor                             | None                                      |
| Big Lake Township        | Ewald Petersen, Supervisor                           | John Norgren, Citizen representative      |
| Clear Lake Township      | Paul Goenner, Boardmember                            | None                                      |
| Haven Township           | LeRoy Pauley, Boardmember                            | Lewis Stark, Citizen representative       |
| Langola Township         | Greg Bruestle, Boardmember                           | None                                      |
| St. Cloud MTC            | Carolyn Garven, Councilmember                        | Thomas Cruikshank, Transit Planner        |

Notes:

(1) The members and alternates serve for a two year term or until a change is made by member entity

(2) Term expires for Chair and Vice Chair on January 1, 2007

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

FINANCIAL SECTION



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-Mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT

Joint Powers Board  
Northstar Corridor Development Authority

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Northstar Corridor Development Authority (NCDA) as of and for the year ended December 31, 2006, which collectively comprise the NCDA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the NCDA'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the General Fund of the NCDA as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2007, on our consideration of the NCDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 10, 2007

**NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2006  
(Unaudited)**

The Northstar Corridor Development Authority (NCDA) Management's Discussion and Analysis (MD&A) provides an overview of the NCDA's financial activities for the fiscal year ended December 31, 2006. 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 NCDA's financial statements.

The NCDA is a joint powers between 31 counties, regional rail authorities, cities and townships to analyze the feasibility and environmental impacts of integrated transportation improvements along the Highway 10 corridor and to develop commuter rail in the Northstar Corridor.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The NCDA's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) and a budgetary comparison schedule for the General Fund are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two financial statements: (1) the Statement of Net Assets and Governmental Fund Balance Sheet; and (2) the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. The first column of each statement presents 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 the modified accrual method of accounting. This method measures cash and all other financial assets that can be readily converted to cash. This column provides a detailed short-term view of the NCDA'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 NCDA's programs.

The center column of each statement reconciles the accounting differences between the governmental funds and governmental activities. Further discussion of the reconciliation can be found in the Notes to the Financial Statements, section 1. C, on page 14 of this report.

The third column in each statement represents the governmental activities balance and provides information about the activities of the NCDA as a whole by presenting a longer-term view of the NCDA's finances. These columns tell how these services were financed in the short-term as well as what remains for future spending.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables present NCDA's 2006 financial data, as well as comparative 2005 data, for which no audited financial statement was prepared.

The NCDA and the Northstar Commuter Rail project are funded in large part with expenditure reimbursement grants from federal, state and local governmental units. The nature of these grants requires the expenditures to be made prior to receipt of any grant monies.

**NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA**

The following table and discussion present the NCDA's current net assets as compared to the prior period at year end.

|                   | Year Ended December 31 |                     | Change                    |                   |
|-------------------|------------------------|---------------------|---------------------------|-------------------|
|                   | 2006                   | 2005<br>(Unaudited) | Increase or<br>(Decrease) | Percent<br>Change |
|                   | Total assets           | \$ 2,795,737        | \$ 3,693,146              | \$ (897,409)      |
| Total liabilities | 3,973,840              | 1,941,113           | 2,032,727                 | 104.72%           |
| Total net assets  | <u>\$ (1,178,103)</u>  | <u>\$ 1,752,033</u> | <u>\$ (2,930,136)</u>     | -167.24%          |

The decrease in total assets from 2005 to 2006 is due mainly to project expenditures for which NCDA is awaiting reimbursement. The increase in liabilities is the contracts payable and amounts due to other governments for project expenditures made in 2006.

The changes in NCDA's net assets are outlined in the table below and the discussion that follows:

|  | Year Ended December 31 |                     | Change                    |                   |
|--|------------------------|---------------------|---------------------------|-------------------|
|  | 2006                   | 2005<br>(Unaudited) | Increase or<br>(Decrease) | Percent<br>Change |
|  | <b>Revenues:</b>       |                     |                           |                   |
| Program revenues                                     |                        |                     |                           |                   |
| Intergovernmental / Capital grants and contributions | \$ 6,554,546           | \$ 9,188,435        | \$ (2,633,889)            | -28.67%           |
| Charges for services                                 | 631,354                | 561,919             | 69,435                    | 12.36%            |
| General revenues                                     |                        |                     |                           |                   |
| Miscellaneous / Other                                | 1,390                  | 1,336               | 54                        | 4.04%             |
| Total revenues                                       | <u>7,187,290</u>       | <u>9,751,690</u>    | <u>(2,564,400)</u>        | -26.30%           |
| <b>Expenses:</b>                                     |                        |                     |                           |                   |
| Transportation                                       |                        |                     |                           |                   |
| Administration                                       | 1,406,260              | 1,368,016           | 38,244                    | 2.80%             |
| Project and construction                             | 8,711,166              | 7,160,444           | 1,550,722                 | 21.66%            |
| Total expenses                                       | <u>10,117,426</u>      | <u>8,528,460</u>    | <u>1,588,966</u>          | 18.63%            |
| Increase (Decrease) in net assets                    | (2,930,136)            | 1,223,230           | (4,153,366)               | -339.54%          |
| Net assets - January 1                               | <u>1,752,033</u>       | <u>528,803</u>      | <u>1,223,230</u>          | 231.32%           |
| Net assets -December 31                              | <u>\$ (1,178,103)</u>  | <u>\$ 1,752,033</u> | <u>\$ (2,930,136)</u>     | 167.24%           |

**NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA**

The 12.36% increase in Charges for Services reflects the increase in ridership and fares for the Northstar Commuter Bus Service between Elk River and downtown Minneapolis. The commuter bus essentially follows the same route as the Northstar Commuter Rail will upon completion of this project.

The decrease in Capital Grants and Contributions is a timing issue as reimbursement is made after the expenditures have been incurred. The reconciling item increasing revenue by \$1,378,077 is for grant reimbursements the NCDA will receive in the following calendar year but are not considered available to liquidate obligations of the current period and therefore not reported in the governmental fund column of Exhibit 2.

The significant increase in Project and Construction Expenses show the considerable progress in the final design and engineering for this commuter rail project.

**FINANCIAL ANALYSIS AT THE FUND LEVEL**

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

At the end of 2006, NCDA reported a negative fund balance of \$2,556,180. Most of the project funding is reimbursement grants, where reimbursement requests are made after NCDA expends the funds. As seen in Exhibit 2, there is \$1,378,077 of deferred revenue, where NCDA has submitted a request for reimbursement but the monies were not received soon enough to be considered available for liquidating current liabilities.

There are future grants that NCDA will recover additional monies for expenditures made in the past and the State of Minnesota's share of expenditures will be paid, alleviating the deficit fund balance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The variance between budget and actual amounts for the NCDA General Fund is in large part the timing of the expenditures made on the Northstar Commuter Rail Project and the associated intergovernmental revenues for those expenditures. Both revenues and expenditures are under budget. Because of delays in receiving State and Federal money, some phases of the construction were slowed somewhat, resulting in a \$16 million expenditure variance.

Ridership of the Northstar Commuter Bus increased over earlier projections. The farebox revenue and associated administrative expenditures were not originally budgeted for, therefore there is a variance for those line items.

**FACTORS BEARING ON THE NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY'S FUTURE**

The Northstar Commuter Rail Project (Northstar) anticipates receiving a Full Funding Grant Agreement (FFGA) from the federal government in the fall of 2007. The FFGA will provide the Project with the federal funding needed to complete the Northstar Commuter Rail Project. With the anticipated arrival of the FFGA, Hennepin, Anoka, and Sherburne Counties are providing short-term funding to allow Northstar construction to continue on schedule. This commitment by local governments allowed Northstar to award contracts in mid 2007 for construction of the Light Rail Transit (LRT) Connection in downtown Minneapolis and the Vehicle Maintenance Facility (VMF) in Big Lake.

**NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA**

In June of 2007, Northstar awarded the LRT Connection contract to Graham Penn-Co Construction, Inc. Currently, Graham Penn-Co is working on demolishing and reconstructing the south half of the 5th Street bridge in Minneapolis over the Burlington Northern Santa Fe (BNSF) railroad. When construction of the LRT Connection is completed, Northstar Commuter Rail will seamlessly integrate with Hiawatha LRT, allowing Northstar commuters to conveniently access the Mall of America, Minneapolis-St. Paul International Airport, and other stops along the Hiawatha LRT line.

In July of 2007, Northstar awarded the Vehicle Maintenance Facility contract to Morcon Construction, Inc. Currently, Morcon is grading the site in preparation for construction of the vehicle maintenance buildings. The maintenance facility will provide a central location for coordination between operations and light duty repair and maintenance functions required on a day-to-day basis.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the NCDA's finances. If you have questions about this report or need additional financial information, contact the Executive Director, NCDA, Tim Yantos or the Director of Accounting and Budget, Anoka County, Cevin Petersen at 2100 3<sup>rd</sup> Avenue, Anoka, Minnesota 55303.

**BASIC FINANCIAL STATEMENTS**

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2006

|  | General Fund        | Reconciliation        | Governmental<br>Activities |
|--|---------------------|-----------------------|----------------------------|
| <b><u>Assets</u></b>   |                     |                       |                            |
| Cash and cash equivalents  | \$ 11,134           | \$ -                  | \$ 11,134                  |
| Accounts receivable  | 401                 | -                     | 401                        |
| Due from other governments   | 2,784,202           | -                     | 2,784,202                  |
| <b>Total Assets</b>  | <b>2,795,737</b>    | <b>-</b>              | <b>2,795,737</b>           |
| <b><u>Liabilities</u></b>  |                     |                       |                            |
| Current liabilities  |                     |                       |                            |
| Accounts payable   | 264,437             | -                     | 264,437                    |
| Contracts payable  | 1,067,463           | -                     | 1,067,463                  |
| Due to other governments   | 2,641,940           | -                     | 2,641,940                  |
| Deferred/Unearned revenue  | 1,378,077           | (1,378,077)           | -                          |
| <b>Total Liabilities</b>   | <b>5,351,917</b>    | <b>(1,378,077)</b>    | <b>3,973,840</b>           |
| <b><u>Fund Balance/Net Assets</u></b>  |                     |                       |                            |
| Fund Balance   |                     |                       |                            |
| Reserved for encumbrances  | 11,994,251          | (11,994,251)          |                            |
| Unreserved   |                     |                       |                            |
| Undesignated   | (14,550,431)        | 14,550,431            |                            |
| <b>Total Fund Balance</b>  | <b>(2,556,180)</b>  | <b>2,556,180</b>      |                            |
| <b>Total Liabilities and Fund Balance</b>  | <b>\$ 2,795,737</b> |                       |                            |
| Net Assets   |                     |                       |                            |
| Restricted for:  |                     |                       |                            |
| Rail projects  |                     | 11,994,251            | 11,994,251                 |
| Unrestricted   |                     | (13,172,354)          | (13,172,354)               |
| <b>Total Net Assets</b>  |                     | <b>\$ (1,178,103)</b> | <b>\$ (1,178,103)</b>      |
| <b>Reconciliation of the Governmental Fund Balance to Net Assets</b>   |                     |                       |                            |
| Fund Balance - Governmental Fund   |                     |                       | \$ (2,556,180)             |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. |                     |                       | 1,378,077                  |
| <b>Net Assets - Governmental Activities</b>  |                     |                       | <b>\$ (1,178,103)</b>      |

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

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | General<br>Fund       | Reconciliation      | Governmental<br>Activities |
|--|-----------------------|---------------------|----------------------------|
| <b>Revenues</b>                              |                       |                     |                            |
| Intergovernmental                            |                       |                     |                            |
| Federal                                      | \$ 2,653,414          | \$ 1,378,077        | \$ 4,031,491               |
| Local  | 2,523,055             | -                   | 2,523,055                  |
| Charges for services                         | 631,354               | -                   | 631,354                    |
| Miscellaneous                                | 1,390                 | -                   | 1,390                      |
|  | <b>5,809,213</b>      | <b>1,378,077</b>    | <b>7,187,290</b>           |
| <b>Expenditures</b>                          |                       |                     |                            |
| <b>Current</b>                               |                       |                     |                            |
| Transportation                               |                       |                     |                            |
| Administration                               | 1,406,260             | -                   | 1,406,260                  |
| Project and construction                     | 8,711,166             | -                   | 8,711,166                  |
|  | <b>10,117,426</b>     | <b>-</b>            | <b>10,117,426</b>          |
| <b>Net Change in Fund Balance/Net Assets</b> | <b>(4,308,213)</b>    | <b>1,378,077</b>    | <b>(2,930,136)</b>         |
| Fund Balance/Net Assets - January 1          | 1,752,033             | -                   | 1,752,033                  |
| Fund Balance/Net Assets - December 31        | <b>\$ (2,556,180)</b> | <b>\$ 1,378,077</b> | <b>\$ (1,178,103)</b>      |

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

|  |                       |
|--|-----------------------|
| Net Change in Fund Balance   | \$ (4,308,213)        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund statement. The earned but unavailable portion of deferred revenue reported in the governmental fund. | 1,378,077             |
| <b>Change in Net Assets of Governmental Activities</b>   | <b>\$ (2,930,136)</b> |

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



**NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. Summary of Significant Accounting Policies

The Northstar Corridor Development Authority's (NCDA) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2006. 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 NCDA are discussed below.

A. Financial Reporting Entity

The Northstar Corridor Development Authority (NCDA) was established in May of 1997, by Minn. Stat. §§ 471.59 and 398A.04, subdivision 9, as a joint powers agreement between 31 counties, regional rail authorities, cities and townships. Its purpose is to analyze the feasibility and environmental impacts of integrated transportation improvements along the Highway 10 corridor and develop a commuter rail project in the Northstar Corridor.

The NCDA Joint Powers Board consists of one elected official from each member governmental unit for a two year term. The Authority elects a Chair and Vice Chair from its membership for a two year term.

The Authority has contracted with Anoka County to receive and manage Authority funds and provide any and all budgetary and accounting services.

The NCDA is a separate entity independent of the governmental units which formed it. In accordance with generally accepted accounting principles, the NCDA's financial statements are not included in any member county's financial statements. However, Anoka County accounts for all transactions of the NCDA and shows the NCDA as an agency fund in its financial statements. No single government unit retains control over the operations or is financially accountable for the NCDA.

B. Basic Financial Statements

Basic financial statements include information on the NCDA's activities as a whole and information on the General Fund of the NCDA. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the Exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the NCDA as a whole.

1. Governmental Fund Financial Statement Columns

The governmental fund financial statement columns provide information about the NCDA's General Fund. The General Fund is the NCDA's primary operating fund. It accounts for all financial resources of the general government.

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Governmental Activities Columns

The governmental activities financial statement columns on the statement of net assets and the statement of activities display information about the NCDA. These columns include the financial activities of the overall NCDA Joint Powers Board.

C. Measurement Focus and Basis of Accounting

The governmental activities columns are reported using the economic resources measurement focus and the full 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. The NCDA considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants collected in 120 days. Intergovernmental grants, charges for services, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

NCDA's cash is pooled and invested with Anoka County. The County obtains collateral to cover deposits in excess of insurance coverage.

2. Deferred Revenue

The NCDA General Fund and governmental activities defer revenue for resources that have been received, but not yet earned. The General Fund also reports deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

3. Fund Equity

In the fund financial statements, the General Fund reports reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

3. 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

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Use of Estimates (Continued)

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 NCDA's Joint Powers Board adopts estimated revenue and expenditure budgets for the General Fund. 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. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles.

B. Deficit Fund Balance

At December 31, 2006, the General Fund had a deficit fund balance of \$2,556,180. The deficit will be eliminated with future grant monies.

3. Detailed Notes

A. Assets

1. Deposits

As of December 31, 2006, the NCDA had \$11,134 on deposit with Anoka County. Authorization to deposit cash in financial institutions is provided by Minn. Stat. § 118A.02. Minn. Stat. §§ 118A.04 and 118A.05 authorize the types of investments available. Minnesota statutes require that all county deposits be covered by insurance, surety bond, or collateral.

B. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

|                          | <u>Governmental Activities</u> |
|--------------------------|--------------------------------|
| Accounts                 | \$ 264,437                     |
| Contracts                | 1,067,463                      |
| Due to other governments | <u>2,641,940</u>               |
| Total payables           | <u>\$ 3,973,840</u>            |

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

3. Detailed Notes

B. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of grant monies that are not collected soon enough after year-end to pay liabilities of the current period. Deferred revenue at December 31, 2006, is \$1,378,077.

3. Operating Leases

The NCDA currently has three operating leases: office facilities, other operating equipment and buses. The details of the leases are as follows:

- The NCDA entered into a 48-month operating lease for office space beginning July 1, 2005. The NCDA made lease payments totaling \$154,786 on this lease for the year ended December 31, 2006.
- The NCDA entered into a 36-month copier lease beginning January 2004. The lease was subsequently renewed for another 36 months. The NCDA made lease payments totaling \$19,605 on this lease for the year ended December 31, 2006.
- The NCDA entered into an operating lease beginning on October 1, 2003, and terminating on March 31, 2009, for commuter bus service along the Northstar Corridor. The NCDA made lease payment totaling \$1,249,438 on this lease for the year ended December 31, 2006.

The following is a schedule of future minimum operating lease payments:

| <u>Year Due</u> | <u>Office Space</u> | <u>Copier</u>    | <u>Buses</u>        | <u>Total</u>        |
|-----------------|---------------------|------------------|---------------------|---------------------|
| 2007            | \$ 209,774          | \$ 10,186        | \$ 1,690,278        | \$ 1,910,238        |
| 2008            | 214,727             | 10,186           | 1,744,054           | 1,968,967           |
| 2009            | 108,602             | 10,186           | 446,705             | 565,493             |
|                 | <u>\$ 533,103</u>   | <u>\$ 30,558</u> | <u>\$ 3,881,037</u> | <u>\$ 4,444,698</u> |

4. Risk Management

The NCDA is exposed to various risks of loss related to municipal liability; hired and non-owned autos; and money and securities, for which the NCDA carries commercial insurance. There were no significant reductions for the year ended December 31, 2006, 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**

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

|                                   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---|
|                                   | <u>Original</u>         | <u>Final</u>        |                           |   |
| <b><u>Revenues</u></b>            |                         |                     |                           |   |
| Intergovernmental                 |                         |                     |                           |   |
| Federal                           | \$ 16,178,000           | \$ 16,178,000       | \$ 2,653,414              | \$(13,524,586)  |
| State                             | 1,608,000               | 1,608,000           | -                         | (1,608,000)   |
| Local                             | 8,372,759               | 8,372,759           | 2,523,055                 | (5,849,704)   |
| Charges for services              | -                       | -                   | 631,354                   | 631,354   |
| Miscellaneous                     | -                       | -                   | 1,390                     | 1,390   |
| <b>Total Revenues</b>             | <b>26,158,759</b>       | <b>26,158,759</b>   | <b>5,809,213</b>          | <b>(20,349,546)</b>   |
| <b><u>Expenditures</u></b>        |                         |                     |                           |   |
| <b>Current</b>                    |                         |                     |                           |   |
| Transportation                    |                         |                     |                           |   |
| Administration                    | 896,759                 | 896,759             | 1,406,260                 | (509,501)   |
| Project and construction          | 25,262,000              | 25,262,000          | 8,711,166                 | 16,550,834  |
| <b>Total Expenditures</b>         | <b>26,158,759</b>       | <b>26,158,759</b>   | <b>10,117,426</b>         | <b>16,041,333</b>   |
| <b>Net Change in Fund Balance</b> | <b>-</b>                | <b>-</b>            | <b>(4,308,213)</b>        | <b>(4,308,213)</b>  |
| <b>Fund Balance - January 1</b>   | <b>1,752,033</b>        | <b>1,752,033</b>    | <b>1,752,033</b>          | <b>-</b>  |
| <b>Fund Balance - December 31</b> | <b>\$ 1,752,033</b>     | <b>\$ 1,752,033</b> | <b>\$ (2,556,180)</b>     | <b>\$ (4,308,213)</b>   |

The notes to the required supplementary information are an integral part of this statement.

NORTHSTAR CORRIDOR DEVELOPMENT AUTHORITY  
ANOKA, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund.

Before July 1, the proposed budget is presented to the Joint Powers 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. The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund level.

Encumbrance accounting is employed in the General Fund. Encumbrances, such as purchase orders and contracts, that are outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because other commitments will be reapportioned and honored during the subsequent year.