

2010

ROCK

SWCD

ANNUAL

REPORT

# Rock SWCD Board of Supervisors

## Areas of Representation

- District I Eugene Cragoe  
1294 - 141<sup>st</sup> Street  
Luverne, MN 56156  
507-283-1839  
Term Expires: 12/31/12  
PR&I  
Luverne & Mound Township
- District II Vicky Smook  
1707 - 181<sup>st</sup> Street  
Luverne, MN 56156  
507-283-4565  
Term Expires: 12/31/14  
Vice-Chair  
Battle Plain, Denver, & Vienna Township
- District III Norman Overgaard  
590 - 170<sup>th</sup> Avenue  
Luverne, MN 56156  
507-283-8267  
Term Expires: 12/31/12  
Chair  
Clinton, Kanaranzi, & Magnolia Township
- District IV David Esselink  
422 - 60<sup>th</sup> Avenue  
Hills, MN 56138  
507-962-3699  
Term Expires: 12/31/12  
Treasurer  
Beaver Creek, & Martin Township
- District V Don Reker  
496 - 181<sup>st</sup> Street  
Jasper, MN 56144  
507-348-7476  
Term Expires: 12/31/14  
Secretary  
Rosdell & Springwater Township

## District Staff

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Office Manager Mary Thompson  
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Technician Arlyn Gehrke  
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CREP Technician Justin Decker  
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[Justin.Decker@co.rock.mn.us](mailto:Justin.Decker@co.rock.mn.us)

## NRCS Staff

District Conservationist Kurt Halfmann  
507-283-9146 Ext. # 114  
[Kurt.halfmann@mn.usda.gov](mailto:Kurt.halfmann@mn.usda.gov)

District Technician Jay Murphy  
507-283-9146 Ext. #115  
[jay.Murphy@mn.usda.gov](mailto:jay.Murphy@mn.usda.gov)

### Wetland Conservation Act Program

The SWCD assists cities, townships, citizens, and County departments in the administration of the Minnesota Wetland Conservation Act. SWCD staff provides technical assistance and acts as the “clearing house” for wetland and water related activities throughout Rock County. The SWCD has continued its commitment to ensure that staff is adequately trained and updated on current wetland rules and policy.

### State Cost Share

The State Cost-Share program is a viable source of funds that provide a financial incentive to landowners that wish to install conservation practices on their land. In addition to the State Cost Share Program, landowners have the opportunity to participate in various other cost-share or financial incentive programs. Individuals seeking financial or technical assistance will be informed of the Federal EQIP program and the State Revolving Loan Fund Program. The SWCD and NRCS provide technical assistance for the survey, design, and installation of a water quality practice.

### Native Grass Drill Program.

The SWCD provides a grass drill at low cost rentals for producers to use to seed various practices such as CRP seedings, streambank stabilization, CREP seedings, grass waterway seedings, etc.

### Tree Program

The SWCD offered for sale 27 different tree and shrubs species native to Minnesota. Producers purchase the trees to plant for windbreaks, urban & rural conservation, and wildlife food and habitat. Through the annual tree program the SWCD is able to promote conservation practices and the value of forestry resources in preventing soil loss and improving water quality.

### Precipitation Monitoring

The SWCD in conjunction with the State Climatology Office monitors site specific precipitation throughout Rock County. The data collected provides citizens and the State of Minnesota with important precipitation information and weather history.

### State Revolving Loan Program

The SWCD works with the Minnesota Department of Agriculture to provide low interest financing to farmers, rural landowners, and agriculture supply businesses to encourage agricultural best management practices that prevent or reduce runoff from feedlots and farm fields and other pollution problems identified by the county in local water plans. This program provides loans for projects that reduce existing water quality problems caused by agricultural activities or failing septic systems and helps landowners comply with water related laws and rules.

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

The Rock Soil & Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended 2009. Since this information is designed to focus on the current years activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's financial statements (beginning on page 10).

### **FINANCIAL HIGHLIGHTS**

Beginning with statement year 2004, fixed assets (capital assets) were no longer reported on a gross basis. They are now reported on a net (depreciated) basis.

### **USING THIS ANNUAL REPORT**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Rock SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the SWCD as a whole begins on page 10. One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements 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 SWCD's net assets and changes in them. You can think of the SWCD's net assets — the difference between assets and liabilities—as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the SWCD's property tax base and the condition of SWCD's roads, to assess the overall health of the SWCD.

In the Statement of Net Assets and the Statement of Activities, the SWCD presents Governmental activities. All of the SWCD's basic services are reported here. Appropriations from the county and state finance most activities.

### **Reporting the SWCD's General Fund Fund Financial Statements**

Our analysis of the SWCD’s general fund begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD’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 SWCD’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 SWCD’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.

### THE SWCD AS A WHOLE

The SWCD’s combined net assets were **decreased** from \$ 127,575 to \$ 123,756. In contrast, last year net assets increased by \$ 5,989. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD’s governmental and business-type activities.

**Table 1 : Net Assets**

	Governmental Activities	
	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 153,163	\$ 154,183
Capital assets	\$ 14,948	\$ 18,167
Total assets	\$ 168,111	\$ 172,350
Long-term debt outstanding	\$	
Other liabilities	\$ 40,536	\$ 48,594
Total liabilities	\$ 40,536	\$ 48,594
Net assets		
Invested in capital assets, net of debt	\$ 14,948	\$ 18,167
Restricted		
Unrestricted	\$ 112,627	\$ 105,589
Total net assets	\$ 127,575	\$ 123,756

Net assets of the SWCD’s governmental activities **decreased** by 3 percent \$ 123,756 compared to \$ 127,575. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$ 112,627 **surplus** at December 31,2008 to a \$ 105,589 at the end of this year.

TABLE 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 57,921	\$ 36,507
Federal grants	\$ 0	\$ 0
State grants and entitlements	\$ 70,286	\$ 104,985
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Other general revenues	\$ 44,162	\$ 44,758
Total revenues	\$ 172,369	\$ 186,250
<b>Program expenses</b>		
General government		
Conservation	\$ 164,257	\$ 193,288
Total expenses	\$ 164,257	\$ 193,288
Excess (deficiency) before special items and transfers	\$ 8,112	\$ (7,038)
Special items – Accum. Depreciation	\$ (2,123)	\$ 3,220
Transfers		
<b>Increase (decrease) in net assets</b>	<b>\$ 5,989</b>	<b>\$ (3,818)</b>

The SWCD's total revenues (excluding special items) increased by 7 percent \$ 13,881. The total cost of all programs and services **increased by \$ 29,031, or more or less than 15 percent**) with **existing** programs. Even with this, the SWCD **covered** this year's costs. Our analysis below separately considers the operations of governmental **(include "and business-type" if applicable)** activities.

### **Governmental Activities**

Revenues for the SWCD governmental activities increased by 7 percent \$ 13,881, while total expenses increased by 15 percent \$ 29,031. The net assets for governmental activities was **decreased by \$ 3,818** in 2010. This compares to a \$ 5,989 increase) in net assets in 2009.

The cost of all governmental activities this year was \$ 193,288 compared to \$ 164,257 last year. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through SWCD taxes was only \$ 0.00 because some of the cost was paid by those who directly benefited from the programs \$ 36,921 or by other governments and organizations that subsidized certain programs with grants and contributions \$ 149,743. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, **increased** in 2010 from \$ 128,207 to \$ 141,492 principally based on **increases in intergovernmental aid**. The SWCD paid for the remaining "public benefit" portion of governmental activities with \$ 0.00 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the SWCD's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the SWCD's taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Conservation	\$ 164,257	\$ 193,288	\$0.00	\$ 0.00
All others				
<b>Totals</b>	<b>\$ 164,257</b>	<b>\$ 364,949</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

### THE SWCD's FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet reported a combined fund balance of \$ 105,589, which is **below** last year's total of \$ 112,627. Included in this year's total change in fund balance, however, is a **deficit** of \$ 7,038 in the SWCD's General Fund.

#### General Fund Budgetary Highlights

Over the course of the year, the Board of Supervisors revised the SWCD's budget several times. These budget amendments fall into **Five** categories. The major changes were the Intergovernmental Revenues and Miscellaneous Revenue as more grants were received for projects that were to be completed this year; therefore more money was spent on project expenditures.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$ 32,068 **above** the final budget amounts. The most significant negative variance \$ 57,155 occurred in the SWCD's **Other Services & Charges**, where more **incentive payments were completed by year end than what was originally planned due to producers completely their paperwork on a very timely basis.**

On the other hand, resources available for appropriation were \$ 25,571 **above** the final budgeted amount. **Increases in Other Revenue** affected resources available for appropriation.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2010, the SWCD had \$ 18,167 invested in a broad range of capital assets, including **office equipment and surveying equipment.** (See Table 4 below.) This amount represents a net **increase** (including additions and deductions) of \$ 3,220).

**Table 4**  
**Capital Assets at Year-end**

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Land	\$ 0	\$ 0
Buildings and improvements	0	0
Equipment	<u>18,167</u>	<u>14,948</u>
Totals	<u>\$ 18,167</u>	<u>\$ 14,948</u>

This year’s major additions included the purchase of a tree matting machine.

The SWCD’s fiscal-year 2011 capital budget calls for it to spend \$ 0.00 for capital projects. The SWCD has **no plans** to issue additional debt to finance these projects. More detailed information about the SWCD’s capital assets is presented in Notes to the financial statements.

Long-Term Liabilities

More detailed information about the SWCD’s long-term liabilities is presented in Note to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The SWCD’s elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and fees that will be charged for the for the business-type activities. **(Such factors include agricultural or non-agricultural job growth, population growth, unemployment figures, inflation, and other indicators.**

**CONTACTING THE SWCD’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD’s finances and to show the SWCD’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rock Soil & Water Conservation District, 311 W Gabrielson Road, Luverne, MN 56156 at 507-283-8862 Ext. #3.

ROCK SOIL AND WATER CONSERVATION DISTRICT  
LIVERNE, MINNESOTA

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

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$104,985	\$0	\$104,985
Charges for services	36,507	0	36,507
Investment earnings	831	0	831
Miscellaneous	43,927	0	43,927
<b>Total Revenues</b>	<b><u>\$186,251</u></b>	<b><u>\$0</u></b>	<b><u>\$186,251</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$187,738	\$2,330	\$190,069
Capital outlay	5,550	(5,550)	0
<b>Total Expenditures/Expenses</b>	<b><u>\$193,288</u></b>	<b><u>(\$3,220)</u></b>	<b><u>\$190,069</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>(\$7,038)</b>	<b>\$3,220</b>	<b>(\$3,818)</b>
<b>Fund Balance/Net Assets January 1</b>	<b><u>112,627</u></b>	<b><u>14,948</u></b>	<b><u>127,575</u></b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$105,589</u></u></b>	<b><u><u>\$18,167</u></u></b>	<b><u><u>\$123,757</u></u></b>

Notes are an integral part of the basic financial statements.

ROCK SOIL AND WATER CONSERVATION DISTRICT  
LIVERNE, MINNESOTA

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

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$108,005		\$108,005
Accounts receivable	46,179		46,179
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		18,167	18,167
<b>Total Assets</b>	<b><u>\$154,183</u></b>	<b><u>\$18,167</u></b>	<b><u>\$172,351</u></b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Sales Tax payable	\$39		\$39
Deposits on Tree Program	306		306
Deferred revenue	48,248		48,248
Long-term liabilities:			0
Due within one year		0	0
Due after one year		0	0
<b>Total Liabilities</b>	<b><u>\$48,594</u></b>	<b><u>\$0</u></b>	<b><u>\$48,594</u></b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$0	\$0	\$0
Unreserved			
Designated for future projects	0	0	0
Undesignated	105,589	(105,589)	0
<b>Total Fund Balance</b>	<b><u>\$105,589</u></b>	<b><u>(\$105,589)</u></b>	<b><u>\$0</u></b>
Net Assets			
Invested in capital assets		\$18,167	\$18,167
Unrestricted		105,589	105,589
<b>Total Net Assets</b>		<b><u>\$123,756</u></b>	<b><u>\$123,756</u></b>

Notes are an integral part of the basic financial statements.

ROCK SOIL AND WATER CONSERVATION DISTRICT  
LIVERNE, MINNESOTA

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$0	\$0	\$0	\$0
Local	0	0	0	0
Federal	0	0	0	0
State grant	142,600	112,600	104,985	(7,615)
<b>Total intergovernmental</b>	<b>\$142,600</b>	<b>\$112,600</b>	<b>\$104,985</b>	<b>(\$7,615)</b>
<b>Charges for services</b>	<b>\$35,000</b>	<b>\$36,780</b>	<b>\$36,507</b>	<b>(\$273)</b>
<b>Miscellaneous</b>				
Interest earnings	\$1,500	\$700	\$831	\$131
Other	0	10,600	43,927	33,327
<b>Total miscellaneous</b>	<b>\$1,500</b>	<b>\$11,300</b>	<b>\$44,758</b>	<b>\$33,458</b>
<b>Total Revenues</b>	<b>\$179,100</b>	<b>\$160,680</b>	<b>\$186,251</b>	<b>\$25,571</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$0	\$0	\$0	\$0
Other services and charges	104,000	94,130	151,285	(57,155)
Supplies	0	0	0	0
Capital outlay	0	5,550	5,550	0
<b>Total district operations</b>	<b>\$104,000</b>	<b>\$99,680</b>	<b>\$156,835</b>	<b>(\$57,155)</b>
<b>Project expenditures</b>				
District	\$27,500	\$33,000	\$30,616	\$2,384
State	47,600	28,000	5,837	22,163
<b>Total project expenditures</b>	<b>\$75,100</b>	<b>\$61,000</b>	<b>\$36,453</b>	<b>\$24,547</b>
<b>Total Expenditures</b>	<b>\$179,100</b>	<b>\$160,680</b>	<b>\$193,288</b>	<b>(\$32,608)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$7,038)</b>	<b>(\$7,038)</b>
<b>Fund Balance - January 1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$112,627</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$0</b>	<b>\$0</b>	<b>\$105,589</b>	<b>(\$7,038)</b>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE  
2010**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ _____
WATER PLAN MONEY	\$ _____
WETLAND MONEY	\$ _____
FEEDLOT MONEY	\$ _____
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u>\$ 0.00</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.

\_\_\_\_\_  
\_\_\_\_\_



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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Rock Soil and Water Conservation District (District) conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 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 Rock Soil and Water 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 Rock 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 Rock Soil and Water Conservation District are organized on the 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.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental 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 and equipment.

3. General Long-Term Debt Account Group

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

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary 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 a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

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 are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

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.

In accordance with Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

D. 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.

E. 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.

Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

3. Equity

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

Reserved fund balance indicates the portion of 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.

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Assets and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount report in Note IV.

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental 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 in Note I-G below.

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 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 720 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 20% of the hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 20% of the hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(Use only notes that are applicable to your district—if one does not apply, type “N/A” in those blanks, except item “C”)

A. General Fund Deficit

At December 31, 2010, the District's General Fund had a deficit fund balance of \$ N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2010, actual expenditures, \$193,288, exceeded budgeted expenditures, \$ 160,680, by \$32,608.

C. Uncollateralized 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 \$ 108,005, of which \$ 78,005 were cash deposits and \$ 30,000 was invested in certificates of deposit. 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>\$ 14,947.81</u>
Additions	<u>\$ 5,550.00</u>
Deletions	<u>\$ 0.00</u>
2010 depreciation	<u>\$ 2,330.40</u>
Balance December 31, 2010	<u>\$ 18,167.41</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$ 2,330.40 as of December 31, 2010.

The District uses a threshold of \$ 500.00 for capitalizing assets purchased. Those physical assets under \$xx are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Rock 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 \$ 48,248.26

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2010 are:

Balance January 1, 2010	<u>\$ N/A</u>
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Net Changes in Compensated Absences           \$ N/A

Balance December 31, 2010                       \$ N/A

## VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

## 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 Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

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.

## 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. PERA administers the Public Employees Retirement Fund (PERF.) 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 by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

### 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2010, 2009, and 2008 were \$ N/A, \$ N/A, and \$ N/A.

respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2010 were \$ 0.00

\*\*\* Due to the JPA with Rock County, the Rock SWCD no longer pays rent. Rock County Pays all rent.