

**NORTH ST. LOUIS SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

December 31, 2009

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NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North St. Louis Soil and Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2009. 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 North St. Louis SWCD's financial statements.

FINANCIAL HIGHLIGHTS

The challenge of the SWCD is keeping trained staff to provide the technical assistance required by state mandates and local county ordinances along with the program assistance as outlined in our Annual Plan of Work. Often times this requires submitting grant applications to maintain the knowledgeable employee to be able to offer a competitive wage. Grant funds supplement the annual budget's BWSR General Services Grant's dollars, County funds, Wetland Conservation Act pass through funds and revenues received for services such as tree sales and lake monitoring services.

USING THIS ANNUAL REPORT

This annual report consists of two parts: the management's discussion and analysis, and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. 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. The SWCD has elected to present in this format.

Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets	\$131,354	\$148,578
Capital assets	14,857	5,136
Total assets	\$146,211	\$153,714
LIABILITIES		
Long-term liabilities	\$ 455	\$ 945
Current liabilities	41,841	48,544
Total liabilities	\$42,296	\$49,489
NET ASSETS		
Invested in capital assets, net of depreciation	14,857	5,136
Unrestricted	89,058	99,089
Total Net Assets	\$103,915	\$104,225

Net assets of the SWCD governmental activities decreased \$310 in 2009.

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 \$99,089 at the end of 2008 to \$89,058, resulting in a decrease of \$10,031.

Table 2: Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	\$17,700	25,986
Federal grants	0	0
State grants	81,232	54,162
County grants	85,000	94,916
General revenues		
Other general revenues	4,335	8,596
Total revenues	<u>\$188,267</u>	<u>\$183,660</u>
Program expenses		
Conservation		
Total expenses	<u>\$188,577</u>	<u>\$174,812</u>
Increase or Decrease in net assets	(\$ 310)	\$8,847

The SWCD's total revenues increased by \$4,607. The total cost of all programs and services increased by \$13,765 this year. Part of the reason for the increased cost in program expenses was due to state cost-share projects that have been encumbered and cancelled after the re-encumbrance deadline for those state project funds.

Governmental Activities

The cost of all governmental activities this year was \$188,577 compared to \$174,812 last year. Overall, the SWCD's governmental program revenues reflect an decrease in county revenues in areas where the County Planning Dept. has jurisdiction. The decrease in the state revenues is due to the cancellation of cost-share contracts by the landowners after the window of opportunity has closed to consider re-encumbering those funds for other applicants requesting financial assistance. Because the return of state cost-share funds may result in a reduced allocation in future cost-share project funds, the North St. Louis SWCD adopted a policy requiring all cost-share applicants to pay a 10% deposit. The deposit amount is based on their initial cost estimate provided by the Engineer representing the SWCD for their specific project.

The majority of the decreased dollars posted to charges for services are a result of the lower demand for conservation trees by SWCD tree customers in 2009.

Expenditures were \$15,502 less than budgeted in part is due to the timing of grant revenue and expenses. The district also invested in a replacement truck in 2009.

Long-Term Liabilities

Obligations include accrued vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected officials considered many factors when setting the fiscal-year 2010 budget and charges for services such as population growth, inflation, and workload. The SWCD approved a change in mileage reimbursements to the maximum allowed by the Internal Revenue Service. We approved the budget prior to knowing the technical staff member was leaving the employment of the SWCD. For this reason, our new Resource Conservationist will be required to attend Wetland Delineation Training at a minimum cost of \$1,000 to the SWCD. This is a budget adjustment that will need to be taken into consideration at a future Board Meeting.

Preliminary interest in forest related programs is being probed into for various reasons by this District. The logging industry has had slow periods and fuel reduction services through programs like Fire Wise may be beneficial to the area natural resources and property owners. Bio-mass is another term discussed at many of our natural resource meetings hosted by agency partners. The Forest Stewardship Program is another service in high demand in northern St. Louis County. Due to the demand for Forest Stewardship Plans, they are currently written by contracted foresters and a waiting list is in place for the following grant year before the current grant period ends.

As the State Cost-Share Program is offered to citizens for water quality improvement/protection projects, we also work with the Board of Water and Soil Resources and MN Pollution Control Agency to seek out new funding sources to prevent degradation of the water resources in our area. The increased interest in mining operations in our area has raised a concern that more base line water quality data should be obtained in the proposed mining location watersheds.

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 North St. Louis SWCD at 307 First Street South, Suite 114, Virginia, MN 55792 or by calling 218-742-9504.

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
VIRGINIA, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2009

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 131,354	\$ -	\$ 131,354
Capital Assets:			
Equipment (net of accumulated depreciation)	-	14,857	14,857
Total Assets	<u>\$ 131,354</u>	<u>\$ 14,857</u>	<u>\$ 146,211</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts Payable	\$ 1,477	\$ -	\$ 1,477
Deferred Revenue	40,364	-	40,364
Long-term liabilities:			
Due within one year	-	455	455
Due after one year	-	-	-
Total Liabilities	<u>\$ 41,841</u>	<u>\$ 455</u>	<u>\$ 42,296</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unreserved			
Undesignated	89,513	(89,513)	-
Total Fund Balance	<u>\$ 89,513</u>	<u>\$ (89,513)</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 14,857	\$ 14,857
Unrestricted		89,058	89,058
Total Net Assets		<u>\$ 103,915</u>	<u>\$ 103,915</u>

Notes are an integral part of the basic financial statements.

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
VIRGINIA, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 166,232	\$ -	\$ 166,232
Charges for services	17,700	-	17,700
Investment earnings	217	-	217
Miscellaneous	4,118	-	4,118
Total Revenues	<u>\$ 188,267</u>	<u>\$ -</u>	<u>\$ 188,267</u>
Expenditures/Expenses			
Conservation			
Current	\$ 185,353	\$ 3,224	\$ 188,577
Capital outlay	13,435	(13,435)	-
Total Expenditures/Expenses	<u>\$ 198,788</u>	<u>\$ (10,211)</u>	<u>\$ 188,577</u>
 Excess of Revenues Over (Under) Expenditures/Expenses	 <u>\$ (10,521)</u>	 <u>\$ 10,211</u>	 <u>\$ (310)</u>
 Fund Balance/Net Assets January 1	 <u>\$ 100,034</u>	 <u>\$ 4,191</u>	 <u>\$ 104,225</u>
 Fund Balance/Net Assets December 31	 <u><u>\$ 89,513</u></u>	 <u><u>\$ 14,402</u></u>	 <u><u>\$ 103,915</u></u>

Notes are an integral part of the basic financial statements.

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
VIRGINIA, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues			
Intergovernmental			
County	85,000	85,000	-
State Grant	105,221	81,232	(23,989)
Total intergovernmental	<u>\$ 190,221</u>	<u>\$ 166,232</u>	<u>\$ (23,989)</u>
Charges for services	<u>\$ 21,800</u>	<u>\$ 17,700</u>	<u>\$ (4,100)</u>
Miscellaneous			
Interest earnings	\$ 1,200	\$ 217	\$ (983)
Other	1,100	4,118	3,018
Total miscellaneous	<u>\$ 2,300</u>	<u>\$ 4,335</u>	<u>\$ 2,035</u>
Total Revenues	<u>\$ 214,321</u>	<u>\$ 188,267</u>	<u>\$ (26,054)</u>
Expenditures			
District operations			
Personnel services	\$ 101,786	\$ 101,027	\$ 759
Other services and charges	33,466	27,061	6,405
Supplies	2,700	2,430	270
Capital outlay	14,000	13,435	565
Total district operations	<u>\$ 151,952</u>	<u>\$ 143,953</u>	<u>\$ 7,999</u>
Project expenditures			
District	\$ 15,400	\$ 12,647	\$ 2,753
State	46,938	42,188	4,750
Total project expenditures	<u>\$ 62,338</u>	<u>\$ 54,835</u>	<u>\$ 7,503</u>
Total Expenditures	<u>\$ 214,290</u>	<u>\$ 198,788</u>	<u>\$ 15,502</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ 31</u>	<u>\$ (10,521)</u>	<u>\$ (10,552)</u>
Fund Balance - January 1	<u>\$ 100,034</u>	<u>\$ 100,034</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 100,065</u></u>	<u><u>\$ 89,513</u></u>	<u><u>\$ (10,552)</u></u>

Notes are an integral part of the basic financial statements.

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The North St. Louis Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District 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 North St. Louis 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 which 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 North St. Louis County because, even though the County provides a significant amount of the District's revenues 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.

Government-Wide Financial Statements

The government-wide financial statements (ie., the Statement of Net Assets and The Statement of Activities) report information on all of 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 revenues 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 is recognized when the corresponding expenditures are

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

incurred. The District also receives an annual appropriation from the County, which 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 revenue from 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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Fund Equity Accounts

Assets

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

Capital assets are reported on a net (depreciated) basis. General capital assets are still valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to Net Assets.

Equity

Reserved fund balance indicates the portion of fund equity, which 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.

**NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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 13 days per year. The limit on the accumulation of annual leave is 248 hours and the limit on sick leave is 240 hours. Upon termination of employment from the district, employees are paid all accumulated annual leave.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; worker's compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	Beginning	Addition	Deletion	Ending
Equipment	\$5,136	\$13,435	\$ 0	\$18,571
Less: Accumulated Depreciation	<u>0</u>	3,714	0	<u>3,714</u>
Net Capital Assets	<u>\$5,136</u>			<u>\$14,857</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation are Machinery and equipment 5 to 10 years. Current year depreciation is \$3,714.

The district uses a threshold of \$5,000 for capitalizing assets purchased.

Deferred Revenue

Deferred revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. See attached schedule for Deferred revenue for the year ended December 31, 2009.

Long-Term Liabilities - Compensated Absences Payable

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

Balance January 1, 2009	\$ 945
Net Change in Compensated Absences	<u>(490)</u>
Balance December 31, 2009	<u>\$ 455</u>

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

Deposits

Minn. Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

At December 31, 2009, the District's deposits totaled \$131,354, all of which were cash deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2009, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans – Statewide

Plan Description - Public Employees Retirement Association

The district contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee 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 Minn. 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, 55103-2088.

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. Coordinated Plan members were required to contribute 6.0% of their annual covered salary. The District is required to contribute 6.75% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008 and 2007 were \$5,000, \$4,554, and \$4,515 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 – Operating Leases

The District leases office space on a yearly basis. Under the lease agreement, total costs for 2009 were \$2,030.

NORTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

Note 5– Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$100,034
Plus: Excess of Revenue Over Expenditures	<u>(10,521)</u>
Governmental Fund Balance, December 31	<u>\$ 89,513</u>
Adjustments from Fund Balance to Net Assets:	
Plus: Capital Assets	\$14,857
Less: Long Term Liabilities	<u>(455)</u>
Net Assets	<u>\$103,915</u>

Note 6 – Reconciliation of Change in Fund Balance to Change in Net Assets

Change in fund balance	(\$10,521)
Capital Outlay	13,435
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(3,714)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>490</u>
Net Change in net assets	(\$ 310)

**NORTH St. LOUIS SOIL AND WATER CONSERVATION DISTRICT
VIRGINIA, MN
BREAKDOWN OF COUNTY REVENUE
2009**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	<u>\$ 60,000</u>
WATER PLAN MONEY	<u>\$ 0</u>
WETLAND MONEY	<u>\$ 10,237</u>
FEEDLOT MONEY	<u>\$</u>
ABANDONED WELL	<u>\$</u>
Other, Contractual Services with County Planning	<u>\$ 14,763</u>

TOTAL \$ 85,000

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.

