

Nobles Soil and Water Conservation District

2009 Annual Report

January 1, 2009 to December 31, 2009

**1567 McMillan Street, Suite 3
Worthington, MN 56187**

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ANNUAL REPORT

January 1, 2009 to December 31, 2009

INTRODUCTION

The Nobles Soil and Water Conservation District was organized in 1954 as a legal subdivision of the state operating under a charter issued by the Secretary of State.

The District is governed by a five-member Board of Supervisors who is responsible for directing all District activities and establishing operational policies. Each supervisor is elected for a 4-year term. Each supervisor lives in a different geographic area of the District and represents that portion of the District.

By utilizing a combination of available local, state and federal assistance, the District directs conservation programs to service the resource management needs of all those who live within Nobles County.

The District cooperates with the U.S. Department of Agriculture, Natural Resources Conservation District under a Memorandum of Understanding whereby full-time technical assistance on soil survey, engineering, agronomy, biology, woodland conservation and administration is furnished to the District by the Natural Resources Conservation District's field, area and state office staff. The Nobles SWCD shares the Agriculture Service Center at 1567 McMillan St., Worthington, Minnesota, with several USDA agencies

DISTRICT SUPERVISORS

- Paul LangsethChairman
- Rick NelsenVice Chairman
- Lynn DarlingSecretary
- Ken Wolf.Treasurer
- Jim KnipsP R&I

Board Meetings are held the 3rd Wednesday of each month at 7:30 a.m.

DISTRICT STAFF

- Ed Lenz.District Manager
- Jane Steffl.Financial/Contracting Officer
- Aaron Crowley.District Technician
- Mary Kretz.Education Coordinator

NATURAL RESOURCES CONSERVATION SERVICE

- Stephanie McLainDistrict Conservationist
- Brad Harberts.Civil Engineer
- Dawn Madison.Soil Conservation Technician

BOARD OF WATER AND SOIL RESOURCES

- Mark HilesBoard Conservationist

NOBLES COUNTY ENVIROMENTAL SERVICES

- Wayne Smith.Environmental Services Director

WATERSHED BOARDS

HERON LAKE WATERSHED DISTRICT BOARD

Gary Ewert

Mike McCarvel

Jim Buschena

Jack Beardsley

Dale Bartosh

Jan Voit.Administrator

Ross Behrends. Technician

KANARANZI-LITTLE ROCK WATERSHED DISTRICT BOARD

Wallace Schultz

Coleen Gruis

Tim Taylor

Mark Slater

Connie Frahm

Kevin Norskog. Executive Secretary

K-LR WATERSHED PROJECT-JOINT POWERS BOARD

Lynn Darling

Wallace Schultz

Don Reker

Connie Frahm

Diane Their

Jane Steffl. Contracting Officer

OKABENA-OCHEDEA WATERSHED BOARD

Jeff Rogers

Lester Johnson

Rolf Mahlberg

James McGowan

Jeffery Williamson

Dan Livdahl. Administrator

2009 Nobles SWCD Programs Report

Tree Program



The NSWCD offered for sale different tree and shrubs species native to Minnesota. Producers purchased the trees to plant into windbreaks, urban and rural conservation, and wildlife food and habitat. Through the annual tree program the NSWCD is able to promote conservation practices and the value of forestry resources in preventing soil loss and improving water quality. The District sold over 8,000 trees, in 2009, and assisted 17 landowners with tree planting. Over 15,000 feet of mating was also installed in 2009.

State Cost-Share



The State Cost-Share program is a viable source of funds that provides financial incentive to landowners that wish to install conservation practices on their land. In addition to the State Cost-Share program, landowners were given opportunity to participate in various other cost-share or financial incentive programs such as the Federal EQIP program and the State Revolving Loan Program. The SWCD and NRCS provide technical assistance for the survey design and installation of a water quality practice. The SWCD received \$16,330.00 for FY 2009 allocations.

Environmental Education



Environmental education is an important part of our SWCD office. Classes and educational materials are offered to schools and churches across Nobles County. 2009 activities included:

- Wetlands Trunk available to area schools
- Fifth Grade Adrian Environmental Learning Area Tours
- Fifth Grade Prairie Wetlands Environmental Learning Area Tours
- Ecology Bus presentations
- Envirothon Area 5, Worthington teams participated at State level
- Sixth Grade Environmental Fair
- High School FFA Speech Contest judging

Wetland Conservation Act Program



The NSWCD assists cities, townships, citizens, and County departments in the administration of the Minnesota Wetland Conservation Act. NSWCD staff provides technical and administrative assistance for wetland related activities throughout Nobles County. Common activities involved with the program include tile and drainage applications as well as wetland banking. The NSWCD has continued its commitment to ensure that staff is adequately trained and updated on current wetland rules and policy. In 2009, NSWCD worked on 415 landowner drainage requests.

State Revolving Loan Program



During 2009 the NSWCD in conjunction with the Nobles Co. Commissioners, Southwest State Bank Worthington, United Prairie and Fulda Credit Union worked with local landowners to obtain MN Department of Agriculture AgBMP Loans. During 2009 over \$385,000 worth of loans were dispersed related to conservation tillage, ISTS, and ag. waste management.

Native Grass Drill



The NSWCD provides a grass drill at low cost rental for producers to use to seed various practices such as CRP seeding, stream bank stabilization, CREP seeding, grass waterway seedlings, etc. The drill is also available for no-till planting of conventional crops such as soybeans and alfalfa.

Water Monitoring Program



The Nobles SWCD was awarded a Stream Water Assessment Grant to monitor the Champepedan Creek and Indian Lake for possible impairments. The Nobles SWCD also continued work related to monitoring the Kanaranzi Creek and the Little Rock River for possible impairments. Several waters in Nobles County have been identified as being impaired by MPCA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Nobles Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on 2009 activities, resulting changes, and currently known facts, it should be read in conjunction with the Nobles SWCD's financial statements beginning on page 12.

FINANCIAL HIGHLIGHTS

- The Nobles Soil and Water Conservation District's total net assets from governmental activities increased 3% from 2008 to 2009.
- Due to several local agencies contributing to the cost of a Dew Drop Drill and trailer, the District's Capital Assets were increased with very little expense to the District.
- Intergovernmental Revenue-Local and Intergovernmental Revenue-County were each increased by \$10,000 over what was budget due to increasing District programs.
- The intergovernmental-state revenue was significantly more than budgeted due to the decrease in deferred revenue in 2009 from the 2008 figures.

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 12 and 13) 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 also appear on pages 12 and 13. 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 Nobles SWCD has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

Our analysis of the Nobles SWCD as a whole begins on page 8. One of the most important questions asked about the SWCD's finances is, "Is the Nobles 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 this 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 2009 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. One 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. One would need to consider other nonfinancial factors, however, to assess the overall health of the Nobles SWCD.

In the Statement of Net Assets and 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 Nobles SWCD General Fund

Fund Financial Statements

Our analysis of the SWCD's general fund begins on page 10. The fund financial statements begin on page 12 and provide 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 to determine whether there are 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 the governmental funds in reconciliations included with the financial statements on pages 12 and 13.

THE NOBLES SWCD AS A WHOLE

The SWCD's combined net assets were increased from \$222,024 in 2008 to \$228,538 in 2009. Looking at the net assets and net expenses of governmental 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 Nobles SWCD governmental activities.

Table 1
Net Assets

	Governmental <u>Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	247,267	310,197
Capital assets	<u>39,794</u>	<u>39,300</u>
Total assets	\$ 287,061	\$ 349,497
Long-term debt outstanding	12,399	8,893
Other liabilities	<u>46,124</u>	<u>111,580</u>
Total liabilities	\$ 58,523	\$ 127,473
Net assets		
Invested in capital assets, net of debt	39,793	39,300
Unrestricted	<u>188,745</u>	<u>182,724</u>
Total net assets	\$ 228,538	\$ 222,024

Net assets of the SWCD's governmental activities increased by 3 percent (\$222,024 compared to \$228,538). 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 an \$182,724 surplus at December 31, 2008, to \$188,744.61 surplus, at the end of this year.

The surplus in unrestricted governmental net assets increased primarily because in 2008, the Nobles SWCD deferred \$114,620, with the majority being State Cost-Share contracts that were completed and paid in 2009. In 2009, the SWCD deferred only \$46,124. Also, a new drill was purchased using funds from several local agencies, and the drill was added to the Nobles SWCD's Capital Assets.

Table 2
Changes in Net Assets

	Governmental	
	<u>Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	33,608	36,730
Intergovernmental Revenue	248,343	174,056
Misc. Rev.-Interest	2,261	5,123
Misc. Rev.-Other	<u>10,875</u>	<u>28,057</u>
Total Revenues	\$ 295,087	\$ 243,966
Program Expenses		
Personal Services	136,514	129,020
Other Services & Charges	36,966	39,362
Supplies	1,087	1,558
Capital Outlay	10,881	5,963
Project Exp-District	32,980	50,811
Project Exp-State, Co., SWCD	<u>67,132</u>	<u>29,212</u>
Total Expenses	\$ 285,560	\$ 255,923
Increase (Decrease) in net assets	<u>\$9,526</u>	<u>\$11,960</u>

The SWCD's total revenues, excluding special items, increased 20 percent. The Intergovernmental Revenue actually increased \$74,287 due to several factors of which the largest was the State Cost-Share increase in deferred revenue in 2008 then decreasing a large amount for the 2009 deferred revenue. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Revenues for the Nobles SWCD governmental activities decreased 9 percent (\$3,122), and total expenses increased 35 percent (\$17,831). This compares to a 9% decrease in net assets in 2008.

The cost of all governmental activities in 2009 was \$285,560 compared to \$255,923 in 2008. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through County and State allocations was only \$106,350, because some of the cost was paid by District charges for services or by other local intergovernmental revenues that subsidized certain programs with grants and contributions. Overall, the Nobles SWCD's governmental program revenues, including intergovernmental revenue and fees for services increased in 2009, from \$243,966 to \$295,087, principally based on increases in intergovernmental (local and county), Charges for Services & Misc. Rev.-Other. The SWCD paid for the remaining "public benefit" portion of governmental activities with other revenues, such as the increased tree sales in 2009.

Table 3 presents the cost of the SWCD's four largest programs which are grouped under the Conservation category: tree program, cost-share program, grass drill program, and education program. The net cost (total cost less revenues generated by the activities) shows \$0 on Table 3 because employee's wages and other district expenses are not figured into the total.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Conservation	32,980	36,730	0	0
Other	<u>36,966</u>	<u>39,362</u>	<u>0</u>	<u>0</u>
Totals	<u>\$69,946</u>	<u>\$76,092</u>	<u>0</u>	<u>0</u>

THE FUNDS

As the SWCD completed the year, its general fund, as presented in the balance sheet on page 12, reported a combined fund balance of \$201,143, which is more than last year's total of \$191,617. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on pages 7 and 8.

General Fund Budgetary Highlights

In the Nobles SWCD 2009 budget the actual charges to appropriations (expenditures) were \$20,027 above the budget amounts. The most significant positive variance occurred in the Nobles SWCD's Local, County and State Intergovernmental Revenue.

Due to the capital purchases, resources available for appropriation were below the final budgeted amount. State funding also affected grant resources available for appropriation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the SWCD had \$39,793 invested in a broad range of capital assets, including building improvements, vehicles and equipment. (See Table 4 below). This amount represents an increase (including additions and deductions) of \$493.00, or 1% over last year.

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

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Leasehold Improvements	0	0
Vehicles	28,808	23,360
Equipment	<u>10,985</u>	<u>15,940</u>
	<u>\$39,793</u>	<u>\$39,300</u>

Long-Term Liabilities

The Nobles SWCD has obligations that include accrued vacation pay, but currently has no outstanding notes. More detailed information about the SWCD's long-term liabilities is presented in Note II C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Nobles SWCD's elected and appointed officials considered several factors when setting the fiscal-year 2010 budget and fees that will be charged for the business-type activities. Revenue from the tree program is expected to be down again this year but the District plans to seek revenues through additional grants.

CONTACTING THE NOBLES SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SWCD's finances 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 Nobles Soil and Water Conservation District, 1567 McMillan St., Suite 3, Worthington, MN 56187 at 507-376-9150, extension #3.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
 WORTHINGTON, MINNESOTA

STATEMENT OF NET ASSETS AND
 GOVERNMENTAL FUND BALANCE SHEET
 FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 229,757.74		\$ 229,757.74
Interest Receivable	1,232.00		1,232.00
Other Receivable	355.54		355.54
Due from Other Governments	15,922.00		15,922.00
Capital Assets:			
Equipment (net of accumulated depreciation)		39,793.51	39,793.51
Total Assets	\$ 247,267.28	\$ 39,793.51	\$ 287,060.79
<u>Liabilities</u>			
Current Liabilities:			
Salaries Payable	\$ -		\$ -
Deferred revenue	46,123.97		46,123.97
Long-term Liabilities:			
Compensated absences		12,398.70	12,398.70
Total Liabilities	\$ 46,123.97	\$ 12,398.70	\$ 58,522.67
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Designated for future projects	85,000.00	(85,000.00)	-
Undesignated	116,143.31	(116,143.31)	-
Total Fund Balance	\$ 201,143.31	\$ (201,143.31)	\$ -
Net Assets			
Invested in capital assets		39,793.51	39,793.51
Unrestricted		188,744.61	188,744.61
Total Net Assets		\$ 228,538.12	\$ 228,538.12
Notes are an integral part of the basic financial statements.			

NOBLES SOIL AND WATER CONSERVATION DISTRICT
 WORTHINGTON, MINNESOTA

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

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$ 248,342.57	\$ -	\$ 248,342.57
Charges for services	33,607.72		33,607.72
Investment earnings	2,261.28		2,261.28
Miscellaneous	10,875.19		10,875.19
Total Revenues	\$ 295,086.76	\$ -	\$ 295,086.76
Expenditures/Expenses			
Conservation			
Current	\$ 274,679.33	\$ 3,505.28	\$ 278,184.61
Capital outlay	10,881.05	(10,881.05)	-
Depreciation		10,387.68	10,387.68
Total Expenditures/Expenses	\$ 285,560.38	\$ 3,011.91	\$ 288,572.29
Excess of Revenues Over (Under) Expenditures/Expenses	9,526.38	(3,011.91)	6,514.47
Fund Balance/Net Assets January 1	191,616.93	30,406.72	222,023.65
Fund Balance/Net Assets December 31	\$ 201,143.31	\$ 27,394.81	\$ 228,538.12
Notes are an integral part of the basic financial statements.			

NOBLES SOIL AND WATER CONSERVATION DISTRICT
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$ 63,350.00	\$ 73,350.00	\$ 73,350.00	\$ -
Local	23,000.00	33,000.00	33,000.00	0.00
Federal	7,000.00	8,360.00	7,280.00	(1,080.00)
State grant	61,966.00	70,646.00	134,712.57	64,066.57
Total intergovernmental	155,316.00	185,356.00	248,342.57	62,986.57
Charges for services	20,100.00	31,500.00	33,607.72	2,107.72
Miscellaneous				
Interest earnings	6,000.00	1,500.00	2,261.28	761.28
Other	1,500.00	1,500.00	10,875.19	9,375.19
Total miscellaneous	7,500.00	3,000.00	13,136.47	10,136.47
Total Revenues	182,916.00	219,856.00	295,086.76	75,230.76
Expenditures				
District operations				
Personnel services	124,712.89	133,276.64	136,513.95	(3,237.31)
Other services and charges	38,800.00	37,800.00	36,965.96	834.04
Supplies	1,070.11	1,000.00	1,087.18	(87.18)
Capital outlay	2,000.00	2,900.00	10,881.05	(7,981.05)
Total district operations	166,583.00	174,976.64	185,448.14	(10,471.50)
Project expenditures				
District	14,850.00	23,425.00	32,980.62	(9,555.62)
State	26,483.00	27,130.00	67,131.62	(40,001.62)
Total project expenditures	41,333.00	50,555.00	100,112.24	(49,557.24)
Total Expenditures	207,916.00	225,531.64	285,560.38	(60,028.74)
Excess of Revenues Over (Under)				
Expenditures	(25,000.00)	(5,675.64)	9,526.38	15,202.02
Fund Balance - January 1	191,616.93	191,616.93	191,616.93	0.00
Fund Balance - December 31	\$ 166,616.93	\$ 185,941.29	\$ 201,143.31	\$ 15,202.02
Notes are an integral part of the basic financial statements.				

Fixed Asset Description	Exp. Func.	Purch/ Const.	Useful Life	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning		Deletion	Ending Accumulated Depreciation
								Accumulated Depreciation	2009 Depreciation		
<u>Land</u>				0.00			0.00				0.00
<u>Buildings</u>											
Tree Building -Leasehold Imp.	Cons.	2002	5	12,975.00			12,975.00	12,975.00	0.00		12,975.00
Total Buildings				12,975.00			12,975.00	12,975.00	0.00		12,975.00
<u>Vehicles</u>											
Radco Pick-up Topper	Cons.	2008	7	1,116.00			1,116.00	79.71	159.43		239.14
2008 Chevrolet Pick-up	Cons.	2007	5	27,653.73			27,653.73	8,296.12	5,530.75		13,826.87
2003 Ford Pick-up	Cons.	2003	5	21,176.00			21,176.00	21,176.00	0.00		21,176.00
Total Vehicles				49,945.73	0.00	0.00	49,945.73	29,551.83	5,690.17	0.00	35,242.00
<u>Equipment</u>											
Great Plains Grass Drill	Cons.	2007	7	9,760.00			9,760.00	2,091.44	1,394.29		3,485.73
McIlroy Tree Matting Machine	Cons.	2004	7	3,850.00			3,850.00	2,200.00	550.00		2,750.00
Tree Planter - #1	Cons.	1974	7	2,000.00			2,000.00	2,000.00	0.00		2,000.00
Tree Planter - #2	Cons.	1974	7	2,000.00			2,000.00	2,000.00	0.00		2,000.00
Tree Planter - #3	Cons.	2005	7	501.00			501.00	286.28	71.57		357.85
Dell Vostro 200 Desktop/Jane	Cons.	2008	5	1,279.00			1,279.00	127.90	255.80		383.70
Dell Vostro 1510 Laptop/Ed	Cons.	2008	5	1,784.00			1,784.00	178.40	356.80		535.20
Dell Vostro 1510 Laptop/Ross	Cons.	2008	5	1,784.00			1,784.00	178.40	356.80		535.20
Sharp 99784 Photocopier	Cons.	2007	7	6,377.20			6,377.20	1,366.54	911.03		2,277.57
Tandy Computer	Cons.	1994	5	1,300.00			1,300.00	1,300.00	0.00		1,300.00
Dew Drop Drill	Cons.	2009	7		7,000.00		7,000.00	0.00	500.00		500.00
Drill Trailer A16	Cons.	2009	7		3,041.15		3,041.15	0.00	217.23		217.23
Dell OptiPlex 360 (Aaron)	Cons.	2009	5		839.90		839.90	0.00	83.99		83.99
Total Equipment				30,635.20	10,881.05	0.00	41,516.25	11,728.96	4,697.50	0.00	16,426.46
Total Capital Assets				\$93,555.93	\$10,881.05	\$0.00	\$104,436.98	\$54,255.79	\$10,387.68	\$0.00	\$64,643.47
				<u>Jan. 1</u>	<u>Dec. 31</u>						
Capital Assets				93,555.93	104,436.98						
Accumulated Depreciation				(54,255.79)	(64,643.47)						
Net book value				\$39,300.14	\$39,793.51						

INSURANCE LIST OF FIXED ASSETS				
January 1, 2009 to December 31, 2009				
	Balance			Balance
	Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009
<u>Building</u>				
Leasehold Improvement	12,975.00			12,975.00
<u>Vehicles</u>				
2008 Chevrolet Pick-up	27,654.00			27,654.00
Radco Pick-Up Topper-2008 Chevrolet	1,116.00			1,116.00
2003 Ford Pick-up	21,176.00			21,176.00
Pick-Up Topper-2003 Ford	500.00			500.00
<u>Project Equipment</u>				
Dew Drop Drill		7,000.00		7,000.00
Drill Trailer A16		3,041.00		3,041.00
McIvory Tree Matting Machine	3,850.00			3,850.00
Great Plains Drill 705NT	9,760.00			9,760.00
Tree Planter	2,000.00			2,000.00
Tree Planter	2,000.00			2,000.00
Tree Planter #3	501.00			501.00
Surveying Rod	120.00			120.00
Surveying Instrument	655.00			655.00
Kodak Z710 Camera	278.00			278.00
Hand-held GPS	324.00			324.00
<u>Office Equipment</u>				
Sharp Digital Copier	6,377.00			6,377.00
Desk	413.00			413.00
Computer Desk	80.00			80.00
Filing Cabinets	675.00			675.00
Swintec 2600 Typewriter	425.00			425.00
4-Hon Office Chairs	1,167.00			1,167.00
Bush Office Desk-Jane	700.00			700.00
<u>Computer Equipment</u>				
Tandy Computer	1,300.00			1,300.00
HP Desk Jet Printer -841C (Ed)	105.00			105.00
HP Desk Jet Printer -842C (Ed L.)	140.00			140.00
Dell Vostro 200 Desktop Computer (Jane)	1,279.00			1,279.00
Dell Vostro 1510 Laptop Computer (Ed)	1,784.00			1,784.00
Dell Vostro 1510 Laptop Computer (Ross)	1,784.00			1,784.00
Dell OptiPlex 360 (Aaron)		840.00		840.00
HP LaserJet CP3505n Printer	716.00			716.00
Linksys WRT160N Wireless N Router	236.00			236.00
Total Investment in Gen. Fixed Assets	\$100,090.00	\$10,881.00	\$0.00	\$110,971.00

**BREAKDOWN OF COUNTY REVENUE
2009**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 52,000.00
WATER PLAN MONEY	\$ 11,350.00
WETLAND MONEY	\$ 10,000.00
FEEDLOT MONEY	\$ 0.00
ABANDONED WELL	\$ 0.00
DNR SHORELAND	\$ 0.00
OTHER	\$ 0.00
 TOTAL	 <u>\$ 73,350.00</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Nobles 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 Nobles 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 Nobles 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 Nobles 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 segments 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide Financial Statements (Continued)

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 non-exchange 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity Accounts (Continued)

3. Equity (Continued)

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. Paid Time Off (PTO) and Sick Leave

Under the District's personnel policies, employees are granted Paid Time Off (PTO) in varying amounts based on their length of service. PTO accrual varies from 4.9 to 11.1 hours bi-weekly. Sick leave is no longer accrued. The limit on the accumulation of PTO is 480. Upon termination from the District by employees are paid accrued PTO and a percentage of extended sick leave as referenced in the Personnel Policy Handbook.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

At December 31, 2009, 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 2009, actual expenditures, \$285,560.38, exceeded budgeted expenditures, \$225,531.64, by \$60,028.74.

C. Uncollateralized deposits

During 2009, 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, 2009, the District's deposits totaled \$ 229,757.74 of which \$ 127,257.74 was cash deposits and \$ 102,500.00 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2009, 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

Balance January 1, 2009	\$ 93,555.93
Additions	\$ 10,881.05
Deletions	\$ 0.00
2009 depreciation	\$ 10,387.68

Balance December 31, 2009 \$104,436.98

Note: Beginning and Ending Balance are net of accumulated depreciation, which total \$39,793.51 as of December 31, 2008.

The District uses a threshold of \$1,000.00 for capitalizing assets purchased. Those physical assets under \$1,000.00 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Nobles 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 \$ 46,123.97.

VI. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2009	\$ 8,893.72
Net Changes in Compensated Absences	\$ <u>3,504.98</u>
Balance December 31, 2009	\$ 12,398.70

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. 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, 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$7,246.35, \$6,418.01, and \$5,532.94 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 2009 were \$ 12,221.00.