

Nobles Soil and Water Conservation District

2008 Annual Report



Earth Day Clean-up at Prairie Wetland Learning Center, St. Mary's Fifth Graders

January 1, 2008 to December 31, 2008

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

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ANNUAL REPORT

January 1, 2008 to December 31, 2008

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

- Lynn Darling Chairman
- Vern Suedkamp.Vice Chairman
- Jim Knips Secretary
- Rick Nelsen. Treasurer
- Paul Langseth.P R&I

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

DISTRICT STAFF

- Jane Steffl. Administrative Coordinator
- Ed Lenz. Technical Coordinator
- Mary Kretz. Education Coordinator

NATURAL RESOURCES CONSERVATION SERVICE

- David Voigt Acting District Conservationist
- Brad Harberts. Civil Engineer
- Dawn Madison. Soil Conservation Technician

BOARD OF WATER AND SOIL RESOURCES

- Mark Hiles Board 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

Tim Blume

Rod Bosma

Tim Taylor

Mark Slater

Connie Frahm

Kevin Norskog. Executive Secretary

K-LR WATERSHED PROJECT-JOINT POWERS BOARD

Lynn Darling

Tim Blume

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

2008 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 17,000 trees, in 2008, and assisted 25 landowners with tree planting.

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 \$25,983.00 for FY 2008 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. 2008 activities included:

- Arbor Day planting-Prairie Elementary School
- 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 -2 Worthington teams participated at State level
- Sixth Grade Environmental Fair
- High School FFA Speech Contest judging
- St. Mary's school clean-up at Wetland Learning Center
- Stewardship Materials for area churches

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 2008, NSWCD worked on 327 landowner drainage requests.

Conservation Reserve Enhancement Program (CREP II)



During 2008 the NSWCD in conjunction with NRCS and FSA placed 2 tracts of land under contracts for 45 year easements. The land was seeded down to native grasses for many environmental benefits including soil erosion control, water quality improvement and wildlife habitat improvement.

State Revolving Loan Program



During 2008 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 2008, four new Conservation Tillage Equipment loans were obtained by landowners totaling \$139,790.00. Seven loans were completed for \$210,350.00 in Animal Waste Management and two ISTS loans for \$14,660.00. Of this, \$224,690.00 was Revolving funds and \$140,110.00 Multi-lender.

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.

Raingarden Program



In 2008, the SWCD, along with NRCS, US Fish and Wildlife Service, and other agencies, contributed to the costs and installation of seven more raingardens in Nobles County, located at Minnesota West & Technical College, the Worthington Middle School, Nobles County Public Works offices, Vogt Park and a butterfly garden at Prairie Elementary School. The SWCD has set up a cost-share program for county residents to plant their own raingardens.

Outstanding Conservationist



Each year, Nobles SWCD recognizes a person(s) dedicated to implementing conservation practices and improving Minnesota's natural resources as Nobles County's Outstanding Conservationist. They are then invited to attend the Minnesota Association of Soil and Water Conservation Districts annual convention in December where they are recognized along with award recipients from the state's 90 other SWCD's. The winner of the Minnesota Outstanding Conservationist is also named at the convention. The 2008 Nobles County nominees were Andy and Geraldine Wagner. The Wagners been very active with the Conservation District and have taken advantage of a number of different conservation programs over the years.

Water Monitoring Program



The Nobles SWCD was awarded a Stream Water Assessment Grant to monitor the Kanaranzi Creek and the Little Rock River for possible impairments. In 2008 the State of Minnesota was only allocating Clean Water Legacy Funding to areas that have been monitored for impairments. The monitoring could lead to funding for streambank stabilization and additional feedlot improvement funding.

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, 2008. Since this information is designed to focus on 2008 activities, resulting changes, and currently known facts, it should be read in conjunction with the Nobles SWCD's financial statements beginning on page 14.

FINANCIAL HIGHLIGHTS

- The Nobles Soil and Water Conservation District's total net assets from governmental activities decreased 9% from 2007 to 2008.
- During the year, the Nobles SWCD's revenues generated from governmental programs and charges for services were \$11,960 less than the \$255,926 in expenditures, but this was due mainly to capital purchases that were made, increased fuel prices in 2008 and the additional employee and supervisor's expenses necessary to attend Leadership Training.
- Charges for Services increased in 2008 due to the increase in tree and shrub sales, tree mats sales and tree planter use.
- The intergovernmental revenue decreased by \$6,300 from budgeted income due to the NRCS offering a contribution agreement for work completed for them, but the work will be finished in 2009.

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 14 and 15) 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 14 and 15. 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 10. 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 2008 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 12. The fund financial statements begin on page 14 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 14 and 15.

THE NOBLES SWCD AS A WHOLE

The SWCD's combined net assets were increased from \$243,064 in 2007 to \$222,024 in 2008. 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 Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	310,197	289,914
Capital assets	<u>39,300</u>	<u>48,412</u>
Total assets	\$ 349,497	\$ 338,326
Long-term debt outstanding	8,893	6,020
Other liabilities	<u>111,580</u>	<u>89,242</u>
Total liabilities	127,473	\$ 95,262
Net assets		
Invested in capital assets, net of debt	39,300	48,412
Unrestricted	<u>182,724</u>	<u>194,652</u>
Total net assets	\$ 222,024	\$ 243,064

Net assets of the SWCD's governmental activities decreased by 9 percent (\$243,064 compared to \$222,024). 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 \$194,652 surplus at December 31, 2007, to \$182,724 surplus, at the end of this year.

The surplus in unrestricted governmental net assets declined primarily because in 2008, Nobles SWCD long-term liabilities increased \$2,883 and the intergovernmental revenue that was deferred was increased. The intergovernmental revenue-local decreased \$ 2,250 due decreasing the SWCD service to watersheds.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	36,730	33,703
Intergovernmental Revenue	174,056	188,402
Misc. Rev.-Interest	5,123	10,445
Misc. Rev.-Other	<u>28,057</u>	<u>16,926</u>
Total Revenues	\$ 243,966	\$ 249,476
Program Expenses		
Personal Services	129,020	118,899
Other Services & Charges	39,362	34,083
Supplies	1,558	1,212
Capital Outlay	5,963	41,674
Project Exp-District	50,811	31,839
Project Exp-State, Co., SWCD	<u>29,212</u>	<u>31,970</u>
Total Expenses	\$ 255,926	\$ 259,678
Increase (Decrease) in net assets	<u>\$11,960</u>	<u>\$(10,201)</u>

The SWCD's total revenues, excluding special items, decreased 6 percent. The Miscellaneous Revenue – Other actually increased \$11,131 due to several factors of which the largest increase was the funds collected from other agencies to help the SWCD fund the six raingardens that were installed in 2008. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Revenues for the Nobles SWCD governmental activities increased 8 percent (\$3,027), and total expenses increased 13 percent (\$5,279). This compares to a 17% increase in net assets in 2007.

The cost of all governmental activities in 2008 was \$255,926 compared to \$259,678 in 2007. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through County and State allocations was only \$148,056, 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 decreased in 2008, from \$249,476 to \$243,966, principally based on decreases in intergovernmental local and Misc. Rev-Interest & 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 2008.

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Conservation	36,730	33,051	0	0
Other	<u>39,362</u>	<u>34,084</u>	<u>0</u>	<u>0</u>
Totals	<u>\$76,092</u>	<u>\$67,135</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 14, reported a combined fund balance of \$191,617, which is less than last year’s total of \$200,672. The primary reasons for the General Fund’s deficit mirror the governmental activities analysis highlighted on pages 8 and 9.

General Fund Budgetary Highlights

In the Nobles SWCD 2008 budget the actual charges to appropriations (expenditures) were \$14,975 above the budget amounts. The most significant positive variance occurred in the Nobles SWCD’s Charges for Services where tree program over budget.

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 2008, the SWCD had \$39,300 invested in a broad range of capital assets, including building improvements, vehicles and equipment. (See Table 4 below). This amount represents a decrease (including additions and deductions) of \$9,111, or 19% under last year

Table 4
Capital Assets at Year-end

	Governmental	
	Activities	
	<u>2008</u>	<u>2007</u>
Leasehold Improvements	0	0
Vehicles	29,124	29,124
Equipment	<u>19,288</u>	<u>19,288</u>
	<u>\$39,300</u>	<u>\$48,412</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 2009 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.

**BREAKDOWN OF COUNTY REVENUE
2008**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 50,000.00
WATER PLAN MONEY	\$ 1,350.00
WETLAND MONEY	\$ 10,000.00
FEEDLOT MONEY	\$ 0.00
ABANDONED WELL	\$ 0.00
DNR SHORELAND	\$ 0.00
OTHER	\$ 0.00
TOTAL	<u>\$ 61,350.00</u>

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

DEFERRED REVENUE BREAKDOWN

2008

Balance of BWSR Service Grants: \$ 12,153.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 13,000.00
Previous fiscal year \$ 0.00

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

FY	Contract No.	Contract Amount	T & A Encumbered
2008	2008-7	5,103.75	1,275.94
2008	2008-9	9,338.25	2,334.56
2009	2009-1	10,293.75	2,573.44
2009	2009-2	3,375.00	843.75
2009	2009-3	1,875.00	468.75
2008	Kevin DeBoer	31,773.00	0.00
2009	Native Buffer	7,500.00	0.00
	Totals	\$ 69,258.75	\$ 7,496.44

2006 T & A Funds to be transferred to District	6,240.28
2008 T & A Funds to be transferred to District	2,905.19
Used C-S Interest to fund 2008 project	-515.21
Interest earned on C-S Saving Acct. – Dec. 08	94.47
Totals	\$ 8,724.73

Total of all Cost-Share Encumbrances \$ 110,682.23

Balance of other funds being deferred

Farm Bill Grant \$ 3,937.50

Subtotal of other funds:	\$ <u>3,937.50</u>
TOTAL OF ALL DEFERRED REVENUE:	\$ <u>114,619.73</u>

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

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 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.

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 6.2 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, 2008, the District's General Fund had a deficit fund balance of \$ N/A. The deficit is expected to be eliminated by future revenue sources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures Over Budget

During 2008, actual expenditures, \$255,926.45, exceeded budgeted expenditures, \$207,393.00, by \$48,533.45.

C. Uncollateralized deposits

During 2008, 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, 2008, the District's deposits totaled \$ 303,777.97 of which \$ 201,277.97 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, 2008, 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, 2008	\$ 93,379.93
Additions	\$ 5,963.00
Deletions	\$ 5,787.00
2008 depreciation	\$ 13,257.25
Balance December 31, 2008	\$ 93,555.93

Note: Beginning and Ending Balance are net of accumulated depreciation, which total \$39,300.14 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 \$ 114,619.73.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2008 are:

Balance January 1, 2008	\$ 6,020.61
Net Changes in Compensated Absences	\$ <u>2,872.81</u>
Balance December 31, 2008	\$ 8,893.42

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 9.10% and 6.0%, respectively, of their annual covered salary in 2008. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2008. The District's employer share of contributions to PERA for the years ending December 31, 2008, 2007, and 2006 were \$6,418.01, \$5,532.94, and \$6,516.20 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 2008 were \$ 10,780.00.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
WORTHINGTON, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$303,802.97		\$303,802.97
Interest Receivable	382.00		382.00
Other Receivable	362.80		362.80
Due from Other Governments	5,649.40		5,649.40
Capital Assets:			
Equipment (net of accumulated depreciation)		39,300.14	39,300.14
Total Assets	<u>\$310,197.17</u>	<u>\$39,300.14</u>	<u>\$349,497.31</u>
<u>Liabilities</u>			
Current Liabilities:			
Salaries Payable	\$2,057.76		\$2,057.76
Deferred revenue	114,619.73		114,619.73
Sales Tax Payable	1,902.75		1,902.75
Long-term Liabilities:			
Compensated absences		8,893.42	8,893.42
Total Liabilities	<u>\$118,580.24</u>	<u>\$8,893.42</u>	<u>\$127,473.66</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Designated for future projects	\$85,000.00	(\$85,000.00)	\$0.00
Undesignated	106,616.93	(106,616.93)	0.00
Total Fund Balance	<u>\$191,616.93</u>	<u>(\$191,616.93)</u>	<u>\$0.00</u>
Net Assets			
Invested in capital assets		\$39,300.14	\$39,300.14
Unrestricted		182,723.51	182,723.51
Total Net Assets		<u>\$222,023.65</u>	<u>\$222,023.65</u>

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, 2008

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$174,055.51	\$0.00	\$174,055.51
Charges for services	36,730.24		36,730.24
Investment earnings	5,123.38		5,123.38
Other program revenues	9,050.00		9,050.00
Miscellaneous	19,007.28		19,007.28
Total Revenues	<u>\$243,966.41</u>	<u>\$0.00</u>	<u>\$243,966.41</u>
Expenditures/Expenses			
Conservation			
Current	\$249,963.45	\$0.00	\$249,963.45
Loss on Disposal of Capital Assets		1,785.71	1,785.71
Capital outlay	5,963.00	(5,963.00)	0.00
Depreciation		13,257.25	13,257.25
Total Expenditures/Expenses	<u>\$255,926.45</u>	<u>\$9,079.96</u>	<u>\$265,006.41</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	(11,960.04)	(9,079.96)	(21,040.00)
Fund Balance/Net Assets January 1	<u>200,704.16</u>	<u>42,359.49</u>	<u>243,063.65</u>
Fund Balance/Net Assets December 31	<u><u>\$188,744.12</u></u>	<u><u>\$33,279.53</u></u>	<u><u>\$222,023.65</u></u>

Notes are an integral part of the basic financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
WORTHINGTON, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$61,350.00	\$61,350.00	\$61,350.00	\$0.00
Local	26,000.00	26,000.00	26,000.00	0.00
Federal	7,500.00	7,500.00	1,200.00	(6,300.00)
State grant	67,968.00	67,968.00	85,505.51	17,537.51
Total intergovernmental	162,818.00	162,818.00	174,055.51	11,237.51
Charges for services	20,600.00	20,600.00	36,730.24	16,130.24
Miscellaneous				
Interest earnings	7,500.00	7,500.00	5,123.38	(2,376.62)
Other program revenues	0.00	0.00	9,050.00	9,050.00
Other	1,500.00	1,500.00	19,007.28	17,507.28
Total miscellaneous	9,000.00	9,000.00	33,180.66	24,180.66
Total Revenues	\$192,418.00	\$192,418.00	\$243,966.41	\$51,548.41
Expenditures				
District operations				
Personnel services	\$124,436.00	\$124,436.00	\$129,019.80	(\$4,583.80)
Other services and charges	38,250.00	38,250.00	39,362.44	(1,112.44)
Supplies	1,474.00	1,474.00	1,557.99	(83.99)
Capital outlay	2,000.00	2,000.00	5,963.00	(3,963.00)
Total district operations	166,160.00	166,160.00	175,903.23	(9,743.23)
Project expenditures				
District	15,250.00	15,250.00	50,810.93	(35,560.93)
State	25,983.00	25,983.00	29,212.29	(3,229.29)
Total project expenditures	41,233.00	41,233.00	80,023.22	(38,790.22)
Total Expenditures	\$207,393.00	\$207,393.00	\$255,926.45	(\$48,533.45)
Excess of Revenues Over (Under)				
Expenditures	(14,975.00)	(14,975.00)	(11,960.04)	3,014.96
Fund Balance - January 1	200,704.16	200,704.16	200,704.16	0.00
Fund Balance - December 31	\$185,729.16	\$185,729.16	\$188,744.12	\$3,014.96

NOBLES SOIL AND WATER CONSERVATION DISTRICT
 ADJUSTING ENTRIES AND CLOSING ENTRIES
 FOR THE YEAR ENDING DECEMBER 31, 2008

#	Date	Account	Debit	Credit
1	12/31/08	Office Expense & Maintenance	1,652.42	
		Capital Outlay		1,652.42
		To reclassify purchase of camera not capitalized.		
2	12/31/08	Depreciation Expense	13,257.25	
		Vehicles: Depreciation		9,845.66
		Equipment: Depreciation		3,411.59
		To record depreciation expense.		
3	12/31/08	Vehicle: Purchase	1,116.00	
		Equipment: Depreciation	3,969.60	
		Loss on Disposal of Assets	1,817.40	
		Equipment: Purchase		940.00
		Capital Outlay		5,963.00
		To reclassify capital outlay to fixed asset accounts and record disposals.		
4	12/31/08	Fund Balance	9,143.34	
		Investment in Fixed Assets		9,111.65
		Fund Balance		31.69
		To adjust Investment in Fixed Assets per depreciation schedule and correct retained earnings.		
5	1/1/09	Fund Balance	16,381.48	
		Retained Earnings		16,381.48
		To close 2007 retained earnings.		
		Totals	\$47,337.49	\$47,337.49

INSURANCE LIST OF FIXED ASSETS				
January 1, 2008 to December 31, 2008				
	Balance			Balance
	Jan. 1, 2008	Additions	Disposals	Dec. 31, 2008
<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>				
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
Sony Digital Camera	790.00		790.00	0.00
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
Gateway Computer-AMD (Mary)	1,872.00		1,872.00	0.00
HP Desk Jet Printer -842C (Ed L.)	140.00			140.00
HP Pavillion D4100Y	1,329.00		1,329.00	0.00
HP Pavillion D4100Y (Ed L.)	1,329.00		1,329.00	0.00
HP Pavillion D4100E (Ross B.)	1,257.00		1,257.00	0.00
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
HP LaserJet CP3505n Printer		716.00		716.00
Linksys WRT160N Wireless N Router		236.00		236.00
Total Investment in Gen. Fixed Assets	\$99,052.00	\$7,615.00	\$6,577.00	\$100,090.00

Fixed Asset Description	Exp. Func.	Purch/ Const.	Useful Life	Adjusted			Ending Balance	Beginning Accumulated Depreciation	2008 Depreciation	Deletion	Ending Accumulated Depreciation
				Balance	Additions	Deletions					
Land				0.00			0.00				0.00
Buildings											
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
Vehicles											
Radco Pick-up Topper	Cons.	2008	7	0.00	1,116.00		1,116.00	0.00	79.71		79.71
2008 Chevrolet Pick-up	Cons.	2007	5	27,653.73			27,653.73	2,765.37	5,530.75		8,296.12
2003 Ford Pick-up	Cons.	2003	5	21,176.00			21,176.00	16,940.80	4,235.20		21,176.00
Total Vehicles				48,829.73	1,116.00	0.00	49,945.73	19,706.17	9,845.66	0.00	29,551.83
Equipment											
Great Plains Grass Drill	Cons.	2007	7	9,760.00			9,760.00	697.15	1,394.29		2,091.44
McIlravy Tree Matting Machine	Cons.	2004	7	3,850.00			3,850.00	1,650.00	550.00		2,200.00
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	214.71	71.57		286.28
Dell Vostro 200 Desktop/Jane	Cons.	2008	5	0.00	1,279.00		1,279.00	0.00	127.90		127.90
Dell Vostro 1510 Laptop/Ed	Cons.	2008	5	0.00	1,784.00		1,784.00	0.00	178.40		178.40
Dell Vostro 1510 Laptop/Ross	Cons.	2008	5	0.00	1,784.00		1,784.00	0.00	178.40		178.40
Sharp 99784 Photocopier	Cons.	2007	7	6,377.20			6,377.20	455.51	911.03		1,366.54
Tandy Computer	Cons.	1994	5	1,300.00			1,300.00	1,300.00	0.00		1,300.00
Gateway Comp./AMD	Cons.	2000	5	1,872.00		1,872.00	0.00	1,872.00	0.00	1,872.00	0.00
Hp Pavillion/Dan L.	Cons.	2005	5	1,329.00		1,329.00	0.00	797.40	0.00	797.40	0.00
HP Pavillion/Ed L.	Cons.	2005	5	1,329.00		1,329.00	0.00	797.40	0.00	797.40	0.00
HP Pavillion/Ross B.	Cons.	2006	5	1,257.00		1,257.00	0.00	502.80	0.00	502.80	0.00
Total Equipment				31,575.20	4,847.00	5,787.00	30,635.20	12,286.97	3,411.59	3,969.60	11,728.96
Total Capital Assets				\$93,379.93	\$5,963.00	\$5,787.00	\$93,555.93	\$44,968.14	\$13,257.25	\$3,969.60	\$54,255.79
				Jan. 1	Dec. 31						
Capital Assets				93,379.93	93,555.93						
Accumulated Depreciation				(44,968.14)	(54,255.79)						
Net book value				\$48,411.79	\$39,300.14						