

**Becker Soil and Water
Conservation District's**

2010

**Financial Statements,
Notes to the Financial
Statement**

and

**The Management
Discussion and Analysis
(MDA)**



BECKER SOIL AND WATER CONSERVATION DISTRICT
Detroit Lakes, MN 56501

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

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$366,964		\$366,964
Accounts receivable	0		0
Due from other governments	0		0
Interest Receivable	584		584
Capital Assets:			
Equipment (net of accumulated depreciation)		23,331	23,331
Total Assets	\$367,548	\$23,331	\$390,879
<u>Liabilities</u>			
Current liabilities:			
Deposit on Sales	\$1,837		\$1,837
Due to Other Governments	\$1,169		\$1,169
Salaries payable	7,843		7,843
Sales Tax Payable	18		18
Deferred revenue	90,298		90,298
Long-term liabilities:			0
Due within one year		0	0
Due after one year		58,520	58,520
Total Liabilities	\$101,165	\$58,520	\$159,685
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unreserved		\$0	\$0
Designated, Compensated Abscenses	58,520	(\$58,520)	\$0
Designated, Capital Outlay	35,000	(35,000)	0
Undesignated	172,864	(172,864)	0
Total Fund Balance	\$266,384	(\$266,384)	\$0
Net Assets			
Invested in capital assets		\$23,331	\$23,331
Unrestricted		207,863	207,863
Total Net Assets		\$231,194	\$231,194

BECKER SOIL AND WATER CONSERVATION DISTRICT
Detroit Lakes, MN 56501

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

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$367,281	\$0	\$367,281
Charges for services	96,385	0	96,385
Investment earnings	5,734	0	5,734
Miscellaneous	4,987	0	4,987
Total Revenues	<u>\$474,387</u>	<u>\$0</u>	<u>\$474,387</u>
Expenditures/Expenses			
Conservation			
Current	\$464,650	\$18,240	\$482,890
Capital outlay	0	0	0
Total Expenditures/Expenses	<u>\$464,650</u>	<u>\$18,240</u>	<u>\$482,890</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$9,737	(\$18,240)	(\$8,503)
Fund Balance/Net Assets January 1, 2010	<u>256,647</u>	<u>(16,950)</u>	<u>239,697</u>
Fund Balance/Net Assets December 31, 2010	<u><u>\$266,384</u></u>	<u><u>(\$35,190)</u></u>	<u><u>\$231,194</u></u>

Notes are an integral part of the basic financial statements.

BECKER SOIL AND WATER CONSERVATION DISTRICT
Detroit Lakes, MN 56501

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

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues			
Intergovernmental			
County	\$226,721	\$227,723	\$1,002
Local	0	0	\$0
Federal	0	39,238	\$39,238
State grant	48,095	100,320	\$52,225
Total intergovernmental	\$274,816	\$367,281	\$92,465
Charges for services	\$74,660	\$96,385	\$21,725
Miscellaneous			
Interest earnings	\$4,500	\$5,734	\$1,234
Other	0	4,987	\$4,987
Total miscellaneous	\$4,500	\$10,721	\$6,221
Total Revenues	\$353,976	\$474,387	\$120,411
Expenditures			
District operations			
Personnel services	\$276,096	\$283,628	(\$7,532)
Other services and charges	38,040	40,882	(\$2,842)
Supplies	3,450	3,607	(\$157)
Capital outlay	3,750	0	\$3,750
Total district operations	\$321,336	\$328,117	(\$6,781)
Project expenditures			
Federal -Pulling together Initiative Grt.	\$0.00	30,424	(\$30,424)
District	\$31,300	\$48,434	(\$17,134)
State	19,970	57,675	(\$37,705)
Total project expenditures	\$51,270	\$136,533	(\$85,263)
Total Expenditures	\$372,606	\$464,650	(\$92,044)
Excess of Revenues Over (Under)			
Expenditures	(\$18,630)	\$9,737	\$28,367
Fund Balance - January 1, 2010	\$256,647	\$256,647	\$0
Fund Balance - December 31, 2010	\$238,017	\$266,384	\$28,367

Notes are an integral part of the basic financial statements.

BREAKDOWN OF COUNTY REVENUE
2010

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$___170,575.00
WATER PLAN MONEY	\$___ 29,534.34
WETLAND MONEY	\$___ 27,614.00
FEEDLOT MONEY	\$_____
ABANDONED WELL	\$_____
DNR SHORELAND	\$_____
OTHER (specify)	\$_____
 TOTAL	 \$ <u>227,723.34</u>

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

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

**DEFERRED REVENUE BREAKDOWN
2010**

Balance of BWSR Service Grants: \$ 0

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 56,796.19

Previous fiscal year \$ 6,526.57

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

FY	Contract No.	Contract Amount	T & A Encumbered
2009	#09-34	\$ 240.00	
2009	#09-35	\$ 240.00	
2010	#10-7	\$1,643.00	
2010	#10-9	\$4,018.00	
2010	#10-10	\$ 240.00	
2010	#10-11	\$ 240.00	
2010	#10-13	\$ 240.00	
2010	#10-15	\$ 95.00	
2008	#NB-08-5	\$ 413.00	
2008	#NB-08-6	\$1,100.25	
2008	#HCNB-6	\$ 225.00	
2010	#NB-08-6	\$1,686.35	
2010	#NB-10-1	\$ 762.00	
2010	#NB-10-2	\$6,221.66	
2009	#NB-09-1	\$5,921.00	
2009	#NB-08-6	\$ 588.40	
2011	#11-2	\$ 240.00	
2011	#11-3	\$ 240.00	
2011	#11-5	\$ 240.00	
2011	#11-6	\$ 240.00	

Total of all Cost-Share Encumbrances \$ 24,833.66

Balance of County WCA Funds: \$ 0

Balance of County Water Plan Funds: \$ 956.50

Balance of other funds being deferred (list if any):

PTI Grant Funds \$ 282.56

Big Toad Lake Development \$ 902.28

\$ _____

Subtotal of other funds: \$ 1,184.84

TOTAL OF ALL DEFERRED REVENUE: \$ 90,297.76

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Becker 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 Becker 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 Becker 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 Becker Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

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

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

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

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

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

D. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

E. Assets, Liabilities, and Equity Accounts

1. Assets

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

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

2. Liabilities

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

3. Equity

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

Reserved fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

Unreserved, designated account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unreserved, undesignated fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

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

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

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 96 hours per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 960 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to one half of their accrued sick leave up to a maximum 400 hours. On termination of employment by illness or death, employees are paid accrued vacation and half of their accrued sick leave for up to a maximum 400 hours.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A. General Fund Deficit

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

B. Excess of Expenditures Over Budget

During 2010, actual expenditures, \$ 464,650 _____, exceeded budgeted expenditures, \$ 372,606_, by \$ 92,044.00_.

C. Uncollateralized deposits

During 2010, the District's deposits with financial institutions _____ (exceeded at various times, did not exceed) insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2010, the District's deposits totaled \$366,964., of which \$ 167,094 were cash deposits and \$ 199,870 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2010, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2010	\$ <u>40,334</u>
Additions	\$ <u>0</u>
Deletions	\$ _____
2010 depreciation	\$ <u>17,003</u>
Balance December 31, 2010	\$ <u>23,331</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$ 94,454 as of December 31, 2010.

The District uses a threshold of \$ 700.00 for capitalizing assets purchased. Those physical assets under \$700 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources, Fish and Wildlife Foundation-PTI, Big Toad Lake Development and Becker 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 \$ 90,298.

VI. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2010	\$ <u>57,284</u>
Net Changes in Compensated Absences	\$ <u>1,236</u>
Balance December 31, 2010	\$ <u>58,520</u>

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2010, 2009, and 2008 were \$ 14,625, \$ 13,987, and \$ 12,868, respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2010 were \$12,735.

BECKER SOIL AND WATER CONSERVATION DISTRICT

DETROIT LAKES, MINNESOTA

Management Discussion and Analysis For Calendar Year 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Becker 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, 2010. Since this information is designed to focus on the current years activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

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 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Since Districts are single-purpose, special purpose government units, the District combines the government-wide and fund financial statements into a single presentations.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District 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 District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets — the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

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

Reporting the District's General Fund

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund—not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District'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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE DISTRICT AS A WHOLE

The District's combined net assets from the previous year were virtually unchanged. Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

Net Assets

	Governmental Activities	
	2009	2010
Current Assets	\$335,387	\$367,548
Capital Assets, net of depreciation	40,334	23,331
Liabilities, deferred revenue	78,740	101,165
Long term liabilities	57,284	58,520
Total Net Assets	\$239,697	231,194

Net assets of the District governmental activities decreased, by \$8,503. 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 \$199,363 at December 31, 2009 to \$207,863 at the end of this year.

The District's Statement of Activities and Changes in Fund Balance.

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
<u>Revenue</u>		
Intergovernmental	\$367,281	\$341,320
Charges for Services	\$96,385	\$102,286
Investment earnings	\$5,734	\$8,010
Miscellaneous	<u>\$4,987</u>	<u>\$3,624</u>
Total Revenues	<u>\$474,387</u>	<u>\$455,240</u>
Expenditures		
Conservation	<u>\$464,650</u>	<u>\$429,348</u>
Total Expenditures	<u>\$464,650</u>	<u>\$429,348</u>
Increase (decrease) in net assets	<u>\$ 9,737</u>	<u>\$ 25,892</u>

The District's total revenues increased by \$19,147. The total cost of programs and services increased by \$35,302.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a combined fund balance of \$266,384, which was above last year's total of \$256,647. Included in this year's total change in net assets, is a gain of \$9,737 in the District's General Fund.

General Fund Budgetary Highlights

Variances in the budgeted revenues and expenditures versus actual were due to receipt of the following unbudgeted grants: Native Buffer, Cooperative Weed Management, National Federation Fish and Wildlife, and a Surface Water Assessment Grants.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had \$23,331 invested in capital assets, including vehicles, office and field equipment. This amount represents a net decrease of \$17,003. over last year.

There were no capital assets purchased in 2010.

Long Term Liabilities

At the end of 2010, the District had \$58,520 in accrued compensated absences. This compares to \$57,284 in 2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Becker Soil and Water Conservation District.