

**Red River Valley  
Conservation Service Area  
TSA 1**

**2010**

**Financial Statements  
&  
The Management Discussion  
and Analysis (MDA)**

Red River Valley Conservation Service Area  
809 8th St. S.E.  
Detroit Lakes, MN 56501  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$177,654		\$177,654
Accounts receivable	0		0
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		28,210	28,210
<b>Total Assets</b>	<b>\$177,654</b>	<b>\$28,210</b>	<b>\$205,864</b>
 <b><u>Liabilities</u></b>			
Current liabilities:			
Due to Other Governments	\$566		\$566
Salaries payable	3,860		3,860
Deferred revenue			0
Long-term liabilities:			0
Due within one year		0	0
Due after one year		25,153	25,153
<b>Total Liabilities</b>	<b>\$4,426</b>	<b>\$25,153</b>	<b>\$29,579</b>
 <b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Reserved for prepaid items		\$0	\$0
Unreserved			
Designated for future projects	0	0	0
Undesignated	173,228	(173,228)	0
<b>Total Fund Balance</b>	<b>\$173,228</b>	<b>(\$173,228)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$28,210	\$28,210
Unrestricted		148,075	148,075
<b>Total Net Assets</b>		<b>\$176,285</b>	<b>\$176,285</b>

Notes are an integral part of the basic financial statements.

Red River Valley Conservation Service Area  
809 8th St. S.E.  
Detroit Lakes, MN 56501

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$128,750	\$0	\$128,750
Charges for services	12,692	0	12,692
Investment earnings	1,614	0	1,614
Miscellaneous	5,039	0	5,039
<b>Total Revenues</b>	<b><u>\$148,095</u></b>	<b><u>\$0</u></b>	<b><u>\$148,095</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$195,224	\$18,115	\$213,339
Capital outlay	1,917	(1,917)	0
<b>Total Expenditures/Expenses</b>	<b><u>\$197,141</u></b>	<b><u>\$16,198</u></b>	<b><u>\$213,339</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>(\$49,046)</b>	<b>(\$16,198)</b>	<b>(\$65,244)</b>
<b>Fund Balance/Net Assets July 1, 2009</b>	<b><u>222,274</u></b>	<b><u>19,255</u></b>	<b><u>241,529</u></b>
<b>Fund Balance/Net Assets June 30, 2010</b>	<b><u><u>\$173,228</u></u></b>	<b><u><u>\$3,057</u></u></b>	<b><u><u>\$176,285</u></u></b>

Notes are an integral part of the basic financial statements.

Red River Valley Conservation Service Area  
809 8th St. S.E.  
Detroit Lakes, MN 56501  
BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
<b>Revenues</b>			
<b>Intergovernmental</b>			
County	\$0	\$0	\$0
Local	0	0	0
Federal	0	0	0
State grant	125,000	128,750	3,750
<b>Total intergovernmental</b>	<b>\$125,000</b>	<b>\$128,750</b>	<b>\$3,750</b>
<b>Charges for services</b>	<b>\$30,000</b>	<b>\$12,692</b>	<b>(\$17,308)</b>
<b>Miscellaneous</b>			
Interest earnings	\$1,200	\$1,614	\$414
Other	3,500	5,039	1,539
<b>Total miscellaneous</b>	<b>\$4,700</b>	<b>\$6,653</b>	<b>\$1,953</b>
<b>Total Revenues</b>	<b>\$159,700</b>	<b>\$148,095</b>	<b>(\$11,605)</b>
<b>Expenditures</b>			
<b>District operations</b>			
Personnel services	\$168,862	\$168,063	\$799
Other services and charges	28,110	26,238	1,872
Supplies	1,200	923	277
Capital outlay	4,600	1,917	2,683
<b>Total district operations</b>	<b>\$202,772</b>	<b>\$197,141</b>	<b>\$5,631</b>
<b>Project expenditures</b>			
District	\$0	\$0	\$0
State	0	0	0
<b>Total project expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Expenditures</b>	<b>\$202,772</b>	<b>\$197,141</b>	<b>\$5,631</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>(\$43,072)</b>	<b>(\$49,046)</b>	<b>(\$5,974)</b>
<b>Fund Balance -July 1, 2009</b>	<b>\$0</b>	<b>\$222,274</b>	<b>\$0</b>
<b>Fund Balance - June 30, 2010</b>	<b>(\$43,072)</b>	<b>\$173,228</b>	<b>(\$5,974)</b>

Notes are an integral part of the basic financial statements.

**Red River Valley Conservation Service Area TSA 1**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies**

The Red River Valley Conservation Service Area (RRVCSA) was organized under provisions of MN. Stat. The RRVCSA TSA 1 is governed by a Joint Powers Board composed of one member from each of the participating Soil and Water Conservation Districts. The participating Districts are Becker, Clay, Grant, Kittson, Mahnommen, Marshall, Marshall-Beltrami, Norman, East Otter Tail, West Otter Tail, Pennington, East Polk, West Polk, Red Lake, Roseau, Traverse, Wilkin,

The purpose of the Joint Powers Board is to oversee the administration and disbursement of a technical assistance program as outlined by the State of Minnesota.

The financial reporting policies of the Board conform to generally accepted accounting principles.

**Financial Reporting Entity**

In conformance with standards established by the Governmental Accounting Standards Board, the Joint Powers Board includes all funds and account groups that are controlled by or dependent on the Joint Powers Board. Control by and dependence on the Board were determined on the basis of budget adoption, taxing, authority, obligation of the Board to finance any deficits that may occur, and any significant subsidy provided by the Board.

**Basis of Presentation – Fund Accounting**

The accounts of the Red River Valley Conservation Service Area TSA 1 are organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations for the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

**Governmental Funds: General Fund**

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

**General Fixed Assets: Account Group**

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

**General Long-Term Debt: Account Group**

This account group records earned but unpaid vacation and vested sick leave.

**Basis of Accounting – Modified Accrual Basis**

The RRVCSA Board's financial statements 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. Expenditures are recorded when the corresponding liabilities are incurred.

**Use of Estimates**

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

### Budget

The RRVCSA Board adopts an estimated revenue and expenditures 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.

### Assets, Liabilities and Fund Equity Accounts

#### Assets

Investments are stated at cost, which approximates market value.

General fixed assets are valued at historical or estimated historical cost and are recorded as expenditures at the time of their purchases. No depreciation is calculated on general fixed assets.

#### Liabilities

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

#### Fund Equity is Divided Into Sections

The account "Investment in General Fixed Assets" represents the Board's equity in general fixed assets.

Fund Balance is subdivided as follows:

-Reserved account indicates that portion of fund equity which has been legally segregated for specific purposes, or is not appropriate for spending

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

-Unreserved, designated account indicates the portion of fund balance which is available for budgeting and spending in future periods.

### Revenues and Expenditures

#### Revenues

Intergovernmental – Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred.

Other Revenue – Other revenues generally are recognized when they are received in cash, because they usually are not measurable until then.

#### Expenditures

Vacation and sick leave are considered expenditures when they are paid to employees.

### The Column of Combined Statement

The total column on the combined statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position, results of operation, or changes in financial positions in conformity with generally accepted accounting principals

### Risk Management

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

Red River Valley Conservation Service Area TSA 1  
Notes to the Financial Statements  
June 30, 2010  
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The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The RRVCSA Board pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

**Note 2 –Detailed Notes on All Funds and Account Groups**

-Assets

Changes in General Fixed Assets

Equipment: Balance July 1, 2009	\$41,673
Additions	\$1,917
Deletions	0
2010 Depreciation	<u>\$15,380</u>
Balance June 30, 2010	\$28,210

July 1, 2009 and June 30 2010 figures are net of accumulated depreciation, which was \$47,411 as of June 30, 2010. July 1, 2010 balance is adjusted for combination of two entities and also for adjusting the fixed asset capitalization policy

The Red River Valley Conservation Service Area Board uses a threshold of \$1,000.00 for capitalizing assets purchased. Those physical assets under \$1,000.00 are expenses directly and not capitalized.

Vacation and Sick Leave

Under the RRVCSA Board’s personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 4 to 8 hours per pay period. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave is 200 hours and the limit on sick leave is 960 hours. Upon termination of employment from the RRVCSA, employees are paid accrued vacation leave and ½ of accrued sick leave up to 200 hours.

Compensated Absences Payable

Changes in long-term debt for the period ended June 30, 2010 are

Balance July 1, 2009	\$22,418
Net Change in Compensated Absences	<u>\$ 2,735</u>
Balance June 30, 2010	<u>\$25,153.</u>

Deposits

MN Stat.118.05 authorizes the RRVCSA to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board Members. At June 30, 2010, Board’s deposits totaled \$177,654 of which \$177,654 were cash deposits. Minnesota statutes require that all the RRVCSA’s deposits be covered by insurance, surety bond, or collateral. At June 30, 2010, all the RRVCSA’s deposits were covered by insurance or collateralized with securities held by the RRVCSA Board or its agent in the RRVCSA Board’s name.

**Note 3- Retirement Plans**

A. Plan Description

The RRVCSA Board 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 RRVCSA Board 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 2010. RRVCSA Board was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The RRVCSA Board's employer share of contributions to PERA for the years ending December 31, 2009, was \$3,829, equal to the contractually required contributions for each year as set by Minnesota Statute. (We are only including the employer share for the RRVCS Area for July 1, 2009 - December 31, 2009 as the Red River Valley Conservation Service Area was formed as July 1, 2009.)

# **RED RIVER VALLEY CONSERVATION SERVICE AREA TSA 1**

## **DETROIT LAKES, MINNESOTA**

### **Management Discussion and Analysis**

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

The Red River Conservation Service Area TSA 1 (RRVCSA) discussion and analysis provides an overview of the RRVCSA's financial activities for the fiscal year ended June 30, 2010. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the 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 RRVCSA as a whole and present a longer-term view of the RRVCSA'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 RRVCSA's operations in more detail than the government-wide statements by providing information about the RRVCSA's most significant funds. Since NPEAs areas are single-purpose, special purpose government units, the RRVCSA 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 RRVCSA's finances is, "Is the RRVCSA 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 RRVCSA 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 RRVSA's net assets and changes in them. You can think of the RRVCSA's net assets — the difference between assets and liabilities—as one way to measure the RRVCSA's financial health, or financial position. Over time, increases or decreases in the RRVCSA'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 RRVCSA.

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

## Reporting the RRVCSA's General Fund

Our analysis of the RRVCSA's general fund is part of this report. The fund financial statements provide detailed information about the general fund—not the RRVCSA as a whole. The RRVCSA presents only a general fund, which is a governmental fund. All of the RRVCSA'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 RRVCSA'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 RRVCSA'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 RED RIVER VALLEY CONSERVATION SERVICE AGENCY AS A WHOLE

The RRVCSA analysis focuses on the net assets and changes in net assets of the RRVCSA's governmental activities:

### Net Assets

	<b>Governmental Activities 2010</b>
Current Assets	\$177,654
Capital Assets, net of depreciation	28,210
Liabilities, deferred revenue	4,426
Long term liabilities	<u>25,153</u>
Total Net Assets	\$176,285

With the combining of the two TSAs (SWCD TSA 4 and the WCMJPB) in July, 2010 there are no real comparisons this year. Next year there will be.

## THE RED RIVER VALLEY CONSERVATION SERVICE AREA TSA 1 FUNDS

As the RRVCSA completed the year, its general fund reported a combined fund balance of \$173,228, which is below last year's total of \$222,274. (That was the total after combining the two TSAs (SWCD TSA and the WCMJPB) fund balances last year end as of June 30, 2009. Included in this year's total change in fund balance, is a deduction of \$49,046 in the RRVCSA General Fund.

## **General Fund Budgetary Highlights**

There were no significant variances in the budget this year.

## **CAPITAL ASSET & DEBT ADMINISTRATION**

### Capital Assets

At the end of Fiscal Year 2010, the RRVCSA had \$28,210 invested in capital assets, including vehicles, office and field equipment.

### Long Term Liabilities

At the end of Fiscal Year 2010, the RRVCSA had \$25,153 in accrued compensated absences.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the RRVCSA's finances and to show the RRVCSA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Red River Conservation Service Area TSA 1.