

# GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2009

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial reporting policies of the Goodhue County Soil and Water Conservation District (District) conform to generally accepted accounting principles.

These statements are prepared in accordance with Government Accounting Standards Board Rule 38, which changes the way both the statement of condition and the statement of revenues and expenses are reported. Beginning with this statement year, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis.

#### A. Financial Reporting Entity

The district is organized under the provisions of MN Stat. Ch. 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 Goodhue County Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan, which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Goodhue 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

##### 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 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 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.

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

Investment earnings and revenue from sale of trees are recognized when earned. Agricultural conservation fees and other revenues 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.

### 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 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 fund liabilities are incurred.

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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 change 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.

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, which has been legally segregated for specific purposes or is not appropriable for spending.

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

Unreserved, undesignated fund balance account indicates the portion of fund balance, which 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 I-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 polices, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from four to seven hours per pay period. Sick leave accrual is four hours per pay period. The limit on the accumulation of annual leave is 200 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 576 hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 576 hours of accrued sick leave.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

N/A

**III. DEPOSITS AND INVESTMENTS**

Minn. Stat. 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2009, the District's deposits totaled \$587,208.75, of which \$587,180.75 were cash deposits and \$100.00 was Petty Cash. Minnesota statutes require that all District deposits be covered by insurance, surety bond or collateral. At December 31, 2009, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

**IV. CHANGES IN CAPITAL ASSETS**

**Equipment**

Balance January 1, 2009	\$ <u>71,170.93</u>
Additions	\$ <u>0.00</u>
Deletions	\$ <u>0.00</u>
2009 Depreciation	\$ <u>10,561.80</u>
Balance December 31, 2009	\$ <u>60,609.13</u>

Note: Beginning and Ending Balance are net accumulated depreciation, which total +\$10,561.80 as of December 31, 2009.

**V. DEFERRED REVENUE**

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources and Goodhue County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Regular Cost Share	\$ <u>50,042.57</u>
Feedlot Cost Share	\$ <u>134,145.00</u>
BWSR Service Grants	\$ <u>0.00</u>
Clean Water Legacy C-S	<u>4,500.00</u>
Vegetative Buffer Grant	\$ <u>7,500.00</u>

TOTAL DEFERRED REVENUE                   \$ 196,187.57

Total Deferred Revenue as itemized on “Deferred Revenue Breakdown” is \$196,187.57.

**VI. COMPENSATED ABSENCES PAYABLE**

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

Balance-January 1, 2009	\$ <u>56,232.46</u>
Net Change in compensated absences	\$ <u>8,057.23</u>
Balance – December 31, 2009	\$ <u>64,290.23</u>

**B. ADJUSTMENTS TO FINANCIAL STATEMENTS**

See Note 1-F

**VII. FUND EQUITY ACCOUNTS**

**DEFINITIONS:**

Fund Balance

The excess of the assets of a fund over its liabilities and reserves

Designated for Compensated Absences

An account used to segregate a portion of Fund Balance for expenditures to District employees for vested compensated absences accrued as outlined in the District's Personnel Policy Handbook.

DESIGNATION OF THE FUND BALANCE OF THE GENERAL FUND:

Total Fund Balance as of December 31, 2009    \$391,487.81

Designation for Compensated Absences

The District Manager will maintain a designation for compensated absences vested by employees on the official books and records of the District and shall annually adjust this designation so that it equals the sum of the General Fund's Compensated Absences liability as of December 31<sup>st</sup>.

Designated Amount:                    \$60,609.13

**VIII. 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 shall purchase 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.

**IX. 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 Minn. Statute chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

**B. Funding Policy**

Plan members are required to contribute 6.0% of their covered salary and the District is required to contribute 6.75%. The contribution requirements of plan members and the District are established by State Statute. The district's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$25,398.41, \$22,575.36, and \$21,001.88, respectively, equal to the contractually required contributions for each year as set by state statute.

**X. OPERATING LEASES**

The District leases office space on a yearly basis. Under the current agreement, total costs for 2009 were \$21,334.00