

**YELLOW MEDICINE  
SOIL AND WATER  
CONSERVATION  
DISTRICT**

**2011 ANNUAL  
FINANCIAL REPORT**



[2011]

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2011**

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**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

This section of the annual financial report of the Yellow Medicine Soil and Water Conservation District (SWCD) presents the Management's Discussion and Analysis. The discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2011. 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 SWCD's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The SWCD's net assets on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance increased due to the revenues exceeding the expenditures.

**USING THIS ANNUAL REPORT**

This annual report consists of three main topics: 1) The Management's Discussion and Analysis (MDA); 2) Financial Statements; and 3) Notes to the Financial Statement. These topics include:

- Management's Discussion and Analysis (MDA-this section). This section relates mostly to the changes in the SWCD's finances and explains the Governmental Wide-Financial Statements in detail. The MDA is on pages 1-6;
- Financial Statements – pages 7-11

The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. 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 SWCDs are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Yellow Medicine SWCD has elected to present in this format.

The Fund Financial Statements report the Breakdown of County Revenue and the Deferred Revenue Breakdown of the SWCD.

- The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of Significant Accounting Policies; 2) Stewardship, Compliance and Accountability; 3) Deposits and Investments; 4) Changes in Capital Assets; 5) Deferred Revenue; 6) Compensated Absences Payable; 7) Inventory; 8) Risk Management; 9) Defined Benefit Pension Plans; and 10) Operating Leases. The Notes to the Financial Statement are on pages 12-22.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

Our analysis of the Yellow Medicine Soil and Water Conservation District as a whole begins with page 7. One of the most important questions asked about the SWCD's finances is, "Is the 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 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 SWCD's net assets and changes in them. You 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. You will need to consider other non-financial factors to assess the overall health of the SWCD.

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

**REPORTING THE SWCD'S GENERAL FUND:**

**Fund Financial Statements**

The Yellow Medicine Soil and Water Conservation District 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 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 Activities and the Statement of Net Assets) and governmental funds in a reconciliation included with the financial statements.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**THE SWCD AS A WHOLE – GOVERNMENTAL ACTIVITIES**

**Statement of Net Assets and Governmental Fund Balance**

The Yellow Medicine Soil and Water Conservation District's net assets increased from one year ago. Our analysis below focuses on the net assets (Table 1) of the SWCD's governmental activities.

**Table 1**

Statement of Net Assets	Governmental Activities	
	<u>Dec 31, 2011</u>	<u>Dec 31, 2010</u>
Current Assets	\$289,626.08	\$283,994.41
Capital Assets Net of Depreciation	<u>\$ 40,761.03</u>	<u>\$ 43,022.16</u>
<b>Total Assets</b>	<b><u>\$330,387.11</u></b>	<b><u>\$327,016.57</u></b>
Current Liabilities	\$ 48,860.69	\$ 56,043.30
Long-term Liabilities	<u>\$ 27,555.70</u>	<u>\$ 29,140.43</u>
<b>Total Liabilities</b>	<b><u>\$ 76,416.30</u></b>	<b><u>\$ 85,183.73</u></b>
Net Assets:		
Invested in Capital Assets net of debt	\$ 40,761.03	\$ 43,022.16
Unrestricted – committed or assigned	\$151,488.15	\$198,810.68
Unrestricted - unassigned	<u>\$ 61,721.54</u>	<u>\$ .00</u>
<b>Total Net Assets</b>	<b><u>\$253,970.72</u></b>	<b><u>\$241,832.84</u></b>

Unrestricted unassigned 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 are \$61,721.54. Total Net Assets increased by 10%.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Statement of Activities and Governmental Fund Revenues, Expenditures and Fund Balance**

Table 2 reflects changes in Governmental activities of the SWCD. It also reflects some of the actual SWCD's Charges for Services changes from 2010 to 2011.

**Table 2**

**Condensed Statement of Activities**

	<b><u>Dec 31, 2011</u></b>	<b><u>Dec 31, 2010</u></b>
Revenue		
Program Revenues		
Charges for Services	\$ 34,141.25	\$ 52,581.27
Operating Grants and Contributions	\$248,478.50	\$218,987.55
General Revenues:		
Miscellaneous Interest	\$ 2,341.09	\$ 3,563.49
Other Miscellaneous Revenue	<u>\$ 1,062.07</u>	<u>\$ 4,344.20</u>
Total Revenues	<b>\$286,022.91</b>	<b>\$279,476.51</b>
 Expenditures		
Conservation	<u>\$273,855.03</u>	<u>\$283,469.15</u>
Total Expenditures	<b>\$273,885.03</b>	<b>\$283,469.15</b>
 <b>Change in Net Assets</b>	 <b>\$ 12,137.88</b>	 <b>(\$ 3,992.64)</b>

The Yellow Medicine SWCD's total revenues increased in 2011 by 2½%. Changes in revenues from previous year included:

- Charges for Services decreased due to a decrease in tree and tree mat sales.
- County funds stayed the same.
- Federal funds increased due to Contribution Agreements with NRCS to write CRP plans and monitor WRP Contracts.
- State grants decreased by approximately 5%.
- Interest decreased due to lower interest rates.

Overall expenditures decreased by 4%.

- Personnel Services decreased due to a break in employment for the Farm Bill Position which affected both hours and benefits.

**THE SWCD'S FUNDS**

As the SWCD completed the year, its general fund column, as presented in the Statement of Net Assets and Governmental Fund Balance Sheet on page 7, reported a total fund balance of \$240,765.39 is above last year's total of \$227,951.11.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The SWCD made revisions to their budget in July and November. The Budgetary Comparison Schedule is found on page 10. In order to purchase mats at a reduced rate, four SWCDs went together to order mats and it was billed to the Yellow Medicine SWCD. The SWCD then in turn billed the other SWCDs. In the original budget, the SWCD figured reimbursement from the SWCDs as a revenue. When the revision to the budget was made in November the SWCD figured purchasing of the mats by the other SWCDs as a reimbursement to the expenditure account. This adjusted both the tree mat sales and tree mat expenses for 2011. The SWCD also adjusted the tree mat expense account to show the carryover of tree mats which will be utilized in 2012. Due to the high cost of gasoline, gasoline expenditures were increased. The SWCD decided to sell Tree Tubes and Stakes so a revenue and expenditure account was established. The SWCD received a grant from the State of Minnesota to promote the Walk in Access Program. The SWCD increased the Local Governmental Revenue Account -Technical and Administrative Dollars from other SWCDs due to Clean Water Fund Projects approved and projects completed. The SWCD received a dividend of \$5,335.00 from the Minnesota Counties Intergovernmental Trust (MCIT) which we did not anticipate. Two different grants were awarded from the Federal Government that the SWCD had not anticipated.

Even with these adjustments, the actual charges to expenditures were below the final budgeted amounts. Revenues were also below the final budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

In 2011 the Yellow Medicine Soil and Water Conservation District used the following schedules:

- Guide to Capital Assets
- Schedule of General Capital Assets and Changes for 2011
- Summary of Changes in Capital Assets

The SWCD changed their capital asset threshold from \$1,000 to \$5,000 as of January 1, 2011. The Schedules of General Capital Assets and the Summary of Changes in General Capital Assets consists of capital assets over the threshold of \$1000 for assets purchased prior to January 1, 2011 and capital assets over the threshold of \$5,000 for assets purchased after December 31, 2010. At the end of 2011 the SWCD had \$147,348.86 invested in a broad range of capital assets, including Buildings, Land, Vehicles, Equipment and Machinery. Two computer systems totaling \$2,268.08 were disposed of in 2011.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Table 3**

Capital Assets at Year-end  
(Net of Depreciation)

Assets	Governmental Activities	
	Dec 31, 2011	Dec 31, 2010
Land	\$ 4,689.45	\$ 4,689.45
Building	\$ 51,626.50	\$ 51,626.50
Vehicles	\$ 44,945.00	\$ 44,945.00
Equipment/Machinery	\$ 46,087.91	\$ 48,355.99
Total Assets	<b><u>\$147,348.86</u></b>	<b><u>\$149,616.94</u></b>
(Net of Depreciation)	\$ 40,761.03	\$ 43,022.16

This year the SWCD did not purchase any capital assets at the \$5,000 threshold. The SWCD did dispose of two old computers and took them off the capital asset depreciation list.

**LONG-TERM LIABILITIES**

Long-term liability obligations include accrued vacation and sick leave for which employees are paid upon termination from the SWCD. Detailed information about the SWCD's long-term liabilities is presented in the Notes to the Financial Statement.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The SWCD's elected officials considered many factors when setting the fiscal-year 2012 budget. Some of the economic factors taken into account for the 2012 budget when considering our revenues included: sales of trees and tree matting, state funding, federal funding and the County allocation. Expense factors included expenses and employee salary increases.

**CONTACTING THE SWCD'S FINANCIAL MANAGEMENT**

This financial report was designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and 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 Yellow Medicine Soil and Water Conservation District, P.O. Box 545, 1000 10<sup>th</sup> Avenue, Clarkfield, Minnesota 56223 or call 320-669-4442 Ext. 3.

SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash	\$49,373.18		\$49,373.18
Investments	\$199,826.94		\$199,826.94
Accounts receivable	\$0.00		\$0.00
Interest receivable	\$1,019.73		\$1,019.73
Due from other governments	\$33,891.30		\$33,891.30
Tree Mat Inventory	\$5,514.93		\$5,514.93
Capital Assets:			
Non-depreciable		\$4,689.45	\$4,689.45
Non-depreciable		\$36,071.58	\$36,071.58
<b>Total Assets</b>	<b><u>\$289,626.08</u></b>	<b><u>\$40,761.03</u></b>	<b><u>\$330,387.11</u></b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$0.00		\$0.00
Salaries payable	\$0.00		\$0.00
Deferred revenue	\$48,860.69		\$48,860.69
Long-term liabilities:			\$0.00
Due within one year		\$27,555.70	\$27,555.70
Due after one year		\$0.00	\$0.00
<b>Total Liabilities</b>	<b><u>\$48,860.69</u></b>	<b><u>\$27,555.70</u></b>	<b><u>\$76,416.39</u></b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$5,514.93	-\$5,514.93	\$0.00
Unrestricted			
Committed or Assigned	\$151,488.15	-\$151,488.15	\$0.00
Unassigned	\$83,762.31	-\$83,762.31	\$0.00
<b>Total Fund Balance</b>	<b><u>\$240,765.39</u></b>	<b><u>-\$240,765.39</u></b>	<b><u>\$0.00</u></b>
Net Assets			
Invested in capital assets		\$40,761.03	\$40,761.03
Unassigned		\$213,209.69	\$213,209.69
<b>Total Net Assets</b>		<b><u>\$253,970.72</u></b>	<b><u>\$253,970.72</u></b>

Notes are an integral part of the basic financial statements.

SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$248,478.50	\$0.00	\$248,478.50
Charges for services	\$34,141.25	\$0.00	\$34,141.25
Investment earnings	\$2,341.09	\$0.00	\$2,341.09
Miscellaneous	\$1,062.07	\$0.00	\$1,062.07
<b>Total Revenues</b>	<b><u>\$286,022.91</u></b>	<b><u>\$0.00</u></b>	<b><u>\$286,022.91</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$273,208.63	\$676.40	\$273,885.03
Capital outlay	\$0.00	\$0.00	\$0.00
<b>Total Expenditures/Expenses</b>	<b><u>\$273,208.63</u></b>	<b><u>\$676.40</u></b>	<b><u>\$273,885.03</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$12,814.28</b>	<b>-\$676.40</b>	<b>\$12,137.88</b>
<b>Fund Balance/Net Assets January 1</b>	<b><u>\$227,951.11</u></b>	<b><u>\$13,881.73</u></b>	<b><u>\$241,832.84</u></b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$240,765.39</u></u></b>	<b><u><u>\$13,205.33</u></u></b>	<b><u><u>\$253,970.72</u></u></b>

Notes are an integral part of the basic financial statements.

**SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA**

**BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND**

YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$100,229.00	\$96,827.52	\$96,827.52	\$0.00
Local	\$7,500.00	\$11,890.00	\$12,479.43	\$589.43
Federal	0	\$46,660.00	\$46,660.00	\$0.00
State grant	\$94,999.00	\$100,977.00	\$92,511.55	-\$8,465.45
<b>Total intergovernmental</b>	<b><u>\$202,728.00</u></b>	<b><u>\$256,354.52</u></b>	<b><u>\$248,478.50</u></b>	<b><u>-\$7,876.02</u></b>
<b>Charges for services</b>	<b><u>\$54,685.00</u></b>	<b><u>\$35,446.50</u></b>	<b><u>\$34,141.25</u></b>	<b><u>-\$1,305.25</u></b>
<b>Miscellaneous</b>				
Interest earnings	\$3,000.00	\$1,500.00	\$2,341.09	\$841.09
Other	\$750.00	\$750.00	\$1,062.07	\$312.07
<b>Total miscellaneous</b>	<b><u>\$3,750.00</u></b>	<b><u>\$2,250.00</u></b>	<b><u>\$3,403.16</u></b>	<b><u>\$1,153.16</u></b>
<b>Total Revenues</b>	<b><u>\$261,163.00</u></b>	<b><u>\$294,051.02</u></b>	<b><u>\$286,022.91</u></b>	<b><u>-\$8,028.11</u></b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$197,739.00	\$194,718.00	\$189,528.92	\$5,189.08
Other services and charges	\$25,762.00	\$35,912.00	\$34,646.92	\$1,265.08
Supplies	\$2,150.00	\$5,450.00	\$5,532.43	-\$82.43
Capital outlay	\$3,000.00	0	\$0.00	\$0.00
<b>Total district operations</b>	<b><u>\$228,651.00</u></b>	<b><u>\$236,080.00</u></b>	<b><u>\$229,708.27</u></b>	<b><u>\$6,371.73</u></b>
<b>Project expenditures</b>				
District	\$31,794.00	\$29,851.00	\$13,546.11	\$16,304.89
State	\$34,698.00	\$16,205.26	\$29,954.25	-\$13,748.99
<b>Total project expenditures</b>	<b><u>\$66,492.00</u></b>	<b><u>\$46,056.26</u></b>	<b><u>\$43,500.36</u></b>	<b><u>\$2,555.90</u></b>
<b>Total Expenditures</b>	<b><u>\$295,143.00</u></b>	<b><u>\$282,136.26</u></b>	<b><u>\$273,208.63</u></b>	<b><u>\$8,927.63</u></b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b><u>-\$33,980.00</u></b>	<b><u>\$11,914.76</u></b>	<b><u>\$12,814.28</u></b>	<b><u>\$899.52</u></b>
<b>Fund Balance - January 1</b>	<b><u>\$227,951.11</u></b>	<b><u>\$227,951.11</u></b>	<b><u>\$227,951.11</u></b>	<b><u>\$0.00</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$227,951.11</u></b>	<b><u>\$227,951.11</u></b>	<b><u>\$240,765.39</u></b>	<b><u>\$899.52</u></b>

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
BREAKDOWN OF COUNTY REVENUE  
2011**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$91,599.00
WATER PLAN MONEY	\$ <u>          .00</u>
WETLAND MONEY	\$ <u>  5,228.52</u>
FEEDLOT MONEY	\$ <u>          .00</u>
ABANDONED WELL	\$ <u>          .00</u>
DNR SHORELAND	\$ <u>          .00</u>
OTHER (specify)	\$ <u>          .00</u>
 TOTAL	 <u>\$96,827.52</u>

\*\*Wetland Money:

FY2011 grant's dollars carried = \$5,228.52

FY2012 grant was not received in 2011 and is considered deferred revenue = \$8,777.00

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.

Yellow Medicine County owns the building that the Yellow Medicine SWCD is located in. Therefore, the SWCD does not pay any rent.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
DEFERRED REVENUE BREAKDOWN  
2011**

Balance of BWSR Delivery Grant: \$ 6,976.94  
 Balance of BWSR Easement Delivery Grant \$ 9,000.00

Balance of unencumbered BWSR Cost-Share Grants: fiscal year 2012 \$ 171.75  
fiscal year 2011 \$ .00

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

<u>FY</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>T &amp; A Encumbered</u>
2011	2011-15	556.00	139.00
2011	2011-16	424.00	106.00
2011	2011-17	703.75	.00
2012	2012-01	1444.00	361.00
2012	2012-02	1320.00	330.00
2012	2012-3	1439.00	359.75
2012	2012-4	979.00	244.75
2012	2012-5	1564.00	391.00
2012	2012-6	695.00	173.75
2012	2012-7	755.00	188.75
2012	2012-8	1078.00	269.50
2012	2012-9	1091.00	272.75
2012	2012-10	1804.00	451.00
2012	2012-11	4430.00	1107.50
2012	2012-12	1006.00	251.50
Total of all Cost-Share Encumbrances			<u>\$23,935.00</u>

Balance of County WCA Funds: \$ 8,777.00  
 Balance of County Water Plan Funds: \$ .00

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

Subtotal of other funds: \$

**TOTAL OF ALL DEFERRED REVENUE: \$48,860.69**

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Yellow Medicine Soil and Water Conservation District (SWCD) 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 SWCD is organized under the provisions of MN Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the SWCD and elected to four-year terms by the voters of the County.

The purpose of the SWCD 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 habitat.

The Yellow Medicine 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 SWCD 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 SWCD's objectives.

The SWCD is not considered a part of Yellow Medicine County because, even though the county provides a significant amount of the SWCD's revenue in the form of an appropriation, it does not retain any control over the operations of the SWCD.

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 principals the SWCD does not have any component units.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

The accounts of the Yellow Medicine SWCD 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.

Governmental Funds: - The General Fund is the general operating fund of the SWCD. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

General Fixed Asset Account Group - This account group is used to record the SWCD's general fixed assets, which include building, furniture and equipment.

General Long-Term Debt Account Group - This account group records earned, but unpaid, vacation and sick leave that has bested or is expected to vest.

**C. Government-Wide Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the SWCD. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The SWCD has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the SWCD's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 SWCD'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 with 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 SWCD also received 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 sales of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in case 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 Standard Board State 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 SWCD 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 SWCD does not use encumbrance accounting.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. The cost of property, plant and equipment is depreciated over the estimated useful live of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or estimated useful lives of the assets.

The SWCD changed the capital asset threshold from \$1,000 to \$5,000 for capitalizing assets purchased as of January 1, 2011. Those physical assets under \$5,000 are expenses directly and not capitalized.

Depreciation is provided using the straight-line method over the following estimated lives of the assets:

Land	Not Depreciated
Buildings	10 – 50 Years
Improvements	15 – 50 Years
Machinery and Equipment	3 – 20 Years

**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 SWCD's equity in general fixed assets.

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

Unrestrictive, committed or assigned account indicates the portion of fund equity that the SWCD has set aside for planned future expenditures.

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

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 reported 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 VI below.
3. Depreciation and Change in Compensated Absences for the year: In the Statement 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 VI.

**G. Vacation and Sick Leave and Compensated Absence – SWCD Policy reads as follows:**

Annual Leave: Will be granted to all regular employees on the basis of length of service. Annual leave is earned per month in the following manner:

0 - 5 years	8 hours per month - January through November 16 hours for December
6 - 15 years	13 hours per month - January through November 17 hours for December
16 plus years	17 hours per month - January through November 21 hours for December

Unused annual leave may be accumulated for use in succeeding years. The maximum number of annual leave hours an employee may carry over into the New Year (January) is 240 hours. Annual leave in excess of the limitation by the end of the year will be lost, unless the board makes an exception for special reasons. Annual leave is charged in units of one half or more hours. As an employee, you are expected to plan your vacations as far in advance as possible. If an employee wishes to take more than two weeks straight of annual leave, then he or she must have board approval prior to taking the vacation. Probationary employees will earn annual leave, but use will be restricted until the end of the probationary period. Annual leave will be pro-rated for regular part-time employees.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Vacation and Sick Leave and Compensated Absence – SWCD Policy reads as follows: (Continued)**

Sick Leave: Will be granted to all regular employees. Sick leave will be accumulated at the rate of eight (8) hours per month, except December in which sixteen (16) hours are earned. Sick leave will be pro-rated for regular part-time employees. There will be no limit on the accumulation of sick leave.

Severance Pay Upon Termination or Resignation

All employees upon leaving employment in good standing, prior to the normal retirement date or whose employment is terminated shall be entitled to severance pay. Severance pay shall include the payment of accumulated vacation leave at the current rate of wage at separation not to exceed an amount as follows:

Less than 1 year	=	Not eligible
Completion of 1 year	=	80 hours
Completion of 2 years	=	160 hours
Completion of 3 years or more	=	240 hours

Severance Pay Upon Retirement

All employees upon leaving employment in good standing on or subsequent to the normal retirement date shall be entitled to severance pay. The normal retirement date is defined under PERA and/or Social Security and to be eligible the employee must have a minimum of 10 years of continued years of service for the district. Severance pay shall include the payment of accumulated vacation leave, accumulated sick leave or a combination thereof at the current rate of wage at separation not to exceed 800 hours. Severance pay shall be paid in a manner mutually agreeable to the employee and employer over a period not to exceed five years from retirement or termination of employment. In the event that a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, that balance due shall be paid to a named beneficiary or, lacking same, to the deceased estate. Severance pay may be paid into the employee's VEBA Account.

**H. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures and Revenues over Budget**

The Yellow Medicine SWCD did not have any expenditures or revenues over budget for 2011. During 2011, actual expenditures, \$273,208.63, did not exceed the estimated budgeted expenditures of 282,136.26. During 2011, actual revenues \$286,022.91, were less than budgeted revenues, \$294,051.02.

**B. General Fund Deficit**

At December 31, 2011, the SWCD's General Fund did not have a deficit fund balance.

**C. Uncollateralized deposits**

During 2011, the SWCD'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 SWCD to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2011, the SWCD's deposits totaled \$249,200.12 of which \$11,699.32 was cash deposits; \$37,673.86 in savings and \$199,826.94 was invested in certificates of deposit and considered investments. Minnesota statutes require that all SWCD deposits be covered by insurance, surety bond or collateral. At December 31, 2011, all the SWCD's deposits were covered by insurance or collateralized with securities held by the SWCD or its agent in the SWCD's name; or collateralized by the pledging financial institution's trust department or agent in the SWCD's name.

According to Minnesota Statutes, the aggregate of a municipality's savings accounts, NOW accounts and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of a municipality's non-interest bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the municipality's other deposits. This separate \$250,000 coverage from checking accounts only applies if the depository is in the same state as the municipality.

Custodial credit risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the SWCD's deposits may not be returned to it. As of December 31, 2011, the SWCD's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging institution's trust department or agent and in the SWCD's name.

As of December 31, 2011, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposits	<u>\$199,826.94</u>	*

\*The CD's are not subject to weighted average maturity policy.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**III. DEPOSITS AND INVESTMENTS (Continued)**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the SWCD limits their investment options to those authorized by the State of Minnesota as described above.

Concentrations of Credit Risk

The risk of loss attributed to the magnitude of the SWCD's investment in a single issuer. The SWCD places no limit on the amount that may be invested in any one issuer. As of December 31, 2011, 100% of the SWCD's investments are in Certificates of Deposits.

As of December 31, 2011, the SWCD had deposits as follows:

	Bank <u>Balance</u>	Carrying <u>Amount</u>
Checking	\$ 34,371.31	\$ 11,699.32
Savings	\$ 37,673.86	\$ 37,673.86
Certificates of Deposits	<u>\$199,826.94</u>	<u>\$199,826.94</u>
Total Deposits	<u>\$271,872.11</u>	<u>\$249,200.12</u>

Summary of cash, deposits and investments as of December 31, 2011:

Deposits	\$ 49,373.18
Investments	<u>\$199,826.94</u>
Total	<u>\$249,200.12</u>

Cash, deposits and investments are present in the December 31, 2011 basic financial statements Statement of Net assets as follows:

Cash & Cash Equivalents	\$ 49,373.18
Investments	<u>\$199,826.94</u>
Total	<u>\$249,200.12</u>

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**IV. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	<u>Balance</u> 1-1-11	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12-31-11
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 4,689.45	\$ .00	\$ .00	\$ 4,689.45
Total Capital Assets Not Being Depreciated	<b>\$ 4,689.45</b>	<b>\$ .00</b>	<b>\$ .00</b>	<b>\$ 4,689.45</b>
Capital Assets Being Depreciated:				
Buildings	\$ 51,626.50	\$ .00	\$ .00	\$ 51,626.50
Machinery & Equipment	\$ 48,355.99	\$ .00	(\$2,268.08)	\$ 46,087.91
Vehicles	\$ 44,945.00	\$ .00	\$ .00	\$ 44,945.00
Total Capital Assets Being Depreciated	<b><u>\$144,927.49</u></b>	<b>\$ .00</b>	<b><u>(\$2,268.08)</u></b>	<b><u>\$142,659.41</u></b>
Total Capital Assets	<b><u>\$149,616.94</u></b>	<b><u>\$ .00</u></b>	<b><u>(\$2,268.08)</u></b>	<b><u>\$147,348.86</u></b>
Less Accumulated Depreciation for:				
Buildings	\$ 17,514.43	\$1,624.38	\$ .00	\$ 17,514.43
Machinery & Equipment	\$ 44,135.35	(\$1,631.33)	\$ .00	\$ 42,504.02
Vehicles	\$ 44,945.00	\$ .00	\$ .00	\$ 44,945.00
Total Accumulated Depreciation	<b><u>\$106,594.78</u></b>	<b><u>(\$6.95)</u></b>	<b><u>\$ .00</u></b>	<b><u>\$106,587.83</u></b>
Total Capital Assets Being Depreciated, Net	\$ 43,022.16	\$6.95	(\$2,268.08)	\$ 40,761.03

**V. DEFERRED REVENUE**

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources and Yellow Medicine County for various programs. Revenues will be recognized when the related program expenditures are recognized. Deferred revenue for the year ended December 31, 2011, consists of:

Easement Delivery Grant	\$ 9,000.00
BWSR Delivery Service Grants	\$ 6,976.94
BWSR Cost Share Grants (unencumbered)	\$ 171.75
BWSR Cost Share Grants (encumbered)	\$23,935.00
Wetland Conservation Act Funds	<u>\$ 8,777.00</u>
Total Deferred Revenue	\$48,860.69

**VI. COMPENSATED ABSENCES PAYABLE**

Changes in compensated absences for the year ended December 31, 2011 are:

Balance January 1, 2011	\$29,140.43
Net changes in compensated absences	<u>\$ 1,584.73</u>
Balance December 31, 2011	\$27,555.70

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
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**VII. INVENTORY**

Inventory is valued at lower of cost or market using the first-in, first-out method. The costs of inventories are recorded as expenditures when used (consumption method). The cost of other consumable materials and supplies on hand are material to the financial statements and the SWCD has therefore chosen to report these items as inventory this year. As of December 31, 2011, inventory is \$5,514.93.

**VIII. RISK MANAGEMENT**

The SWCD 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 SWCD has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The SWCD 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. DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**A. Plan Description**

The SWCD 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 requires supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, MN 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 SWCD makes annual contributions to the pension plans equal to the amount required by state statutes. PERA Coordinated Plan members were required to contribute 6.0% of their annual covered salary in 2011. The SWCD was required to contribute 7.25%. The Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The SWCD's employer share of contributions to PERA for the years ending December 31, 2011, 2010, and 2009 were 9,745.09, \$ 8,723.52, and \$8,046.97, respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

**IX. DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**B. Funding Policy (Continued)**

Defined Contribution Plan: Two of the five SWCD Supervisors are covered by the Public Employees Defined Contribution Plan, (PEDCP); a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the elected official’s employer. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate.

Total contributions made by the SWCD during fiscal year 2011 were:

Amount		Percentage of Covered Payroll		Required
<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	<u>Rates</u>
\$144.50	\$144.50	5.00%	5.00%	5.00%

**X. OPERATING LEASES**

The SWCD has a rental lease agreement for our tree storage building. The lease was written March 1<sup>st</sup>, 2001 and runs for 20 years. The rental fee is \$200.00 per year.

