

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

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
<b><u>Assets</u></b>			
Cash and investments	\$994,744		\$994,744
Accounts receivable	0		0
Due from other governments	137,903		137,903
Prepaid items	3,748		3,748
Capital Assets:			
Equipment (net of accumulated depreciation)		16,504	16,504
<b>Total Assets</b>	<b>\$1,136,395</b>	<b>\$16,504</b>	<b>\$1,152,899</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$30,589		\$30,589
Salaries payable	8,734		8,734
Deposit of sales	985		985
Unidentified payable	770		770
Deferred revenue	895,302		895,302
Long-term liabilities:			0
Due within one year		33,002	33,002
Due after one year		0	0
<b>Total Liabilities</b>	<b>\$936,380</b>	<b>\$33,002</b>	<b>\$969,382</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	200,015	(200,015)	0
<b>Total Fund Balance</b>	<b>\$200,015</b>	<b>(\$200,015)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$16,504	\$16,504
Unrestricted		167,013	167,013
<b>Total Net Assets</b>		<b>\$183,517</b>	<b>\$183,517</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

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
<b>Revenues</b>			
Intergovernmental	\$746,064	\$0	\$746,064
Charges for services	10,554	0	10,554
Investment earnings	7,083	0	7,083
Miscellaneous	21,000	0	21,000
<b>Total Revenues</b>	<b>\$784,701</b>	<b>\$0</b>	<b>\$784,701</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$830,897	\$7,454	\$838,351
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<b>\$830,897</b>	<b>\$7,454</b>	<b>\$838,351</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>(\$46,196)</b>	<b>(\$7,454)</b>	<b>(\$53,650)</b>
<b>Fund Balance/Net Assets January 1</b>	<b>246,211</b>	<b>(9,044)</b>	<b>237,167</b>
<b>Fund Balance/Net Assets December 31</b>	<b>\$200,015</b>	<b>(\$16,498)</b>	<b>\$183,517</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$0	\$165,264	\$162,190	(\$3,074)
Local	0	10,000	8,860	(1,140)
Federal	0	212,729	156,657	(56,072)
State grant	0	466,961	418,358	(48,603)
<b>Total intergovernmental</b>	<b>\$0</b>	<b>\$854,954</b>	<b>\$746,065</b>	<b>(\$108,889)</b>
<b>Charges for services</b>	<b>\$0</b>	<b>\$10,600</b>	<b>\$10,554</b>	<b>(\$46)</b>
<b>Miscellaneous</b>				
Interest earnings	\$0	\$10,500	\$7,083	(\$3,417)
Other	0	6,800	21,000	14,200
<b>Total miscellaneous</b>	<b>\$0</b>	<b>\$17,300</b>	<b>\$28,083</b>	<b>\$10,783</b>
<b>Total Revenues</b>	<b>\$0</b>	<b>\$882,854</b>	<b>\$784,702</b>	<b>(\$98,152)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$0	\$296,160	\$297,071	(\$911)
Other services and charges	0	48,907	47,976	931
Supplies	0	400	41	359
Capital outlay	0	0	0	0
<b>Total district operations</b>	<b>\$0</b>	<b>\$345,467</b>	<b>\$345,088</b>	<b>\$379</b>
<b>Project expenditures</b>				
District	\$0	\$17,806	\$10,829	\$6,977
State	0	541,517	474,980	66,537
<b>Total project expenditures</b>	<b>\$0</b>	<b>\$559,323</b>	<b>\$485,809</b>	<b>\$73,514</b>
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$904,790</b>	<b>\$830,897</b>	<b>\$73,893</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>(\$21,936)</b>	<b>(\$46,195)</b>	<b>(\$24,259)</b>
<b>Fund Balance - January 1</b>	<b>\$0</b>	<b>\$246,211</b>	<b>\$246,211</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$0</b>	<b>\$224,275</b>	<b>\$200,016</b>	<b>(\$24,259)</b>

Notes are an integral part of the basic financial statements.

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

The Root River SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 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 SWCD's financial statements (beginning on page 1).

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 1 and 2) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements start on page 1. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Root River SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the SWCD as a whole begins on page 1. 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 nonfinancial factors, however, such as changes in the SWCD's property tax base and the condition of SWCD roads, to assess the overall health of 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 state finance most activities.

## **Reporting the SWCD's General Fund**

### **Fund Financial Statements**

Our analysis of the SWCD's general fund begins on page 3. The fund financial statements begin on page 3 and provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### **THE SWCD AS A WHOLE**

The SWCD's combined net assets were lower, decreasing for \$237,130 (2009 Net Assets) to \$183,517 (2010 Net Assets). In contrast, last year net assets increased by \$29,864.

#### **Governmental Activities**

In 2010, state revenues were under budget by \$48,603. Deferred revenue decreased \$236,588 to \$895,302. This decrease reflects the 2007 Flood progress made on recovery efforts in Houston County. The high deferred revenue is primarily due to State Cost-Share assistance on flood recovery underway.

### **THE SWCD's FUNDS**

As the SWCD completed the year, its general fund (as presented in the balance sheet on pages 1- 3) reported a combined fund balance of \$200,015, which is below last year's total of \$246,211. This reflects an overall reduction in state and local funding.

#### **General Fund Budgetary Highlights**

The most significant variance (\$108,889) occurred in the SWCD's revenue account, where revenues were down in every category of intergovernmental revenue. Project expenditures were also down.

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

This financial report is 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 Root River SWCD, 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921, (507) 724-5261 ext. 3.

**BREAKDOWN OF COUNTY REVENUE  
2010**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	<u>\$126,330.00</u>
WATER PLAN MONEY	<u>\$17,609.53</u>
WETLAND MONEY	<u>\$13,505.50</u>
FEEDLOT MONEY	<u>\$4,743.72</u>
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u>\$162,188.75</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: \$0.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$20,240.00

Previous fiscal year \$29,060.90

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

FY	Contract No.	Contract Amount	T & A Encumbered
07	26	\$ 525.00	\$ 0.00
07	28	\$ 2,343.75	\$ 0.00
08FR	52	\$ 2,163.31	\$ 540.83
08FR2	09	\$ 12,000.00	\$ 3,000.00
08FR2	10	\$ 9,375.00	\$ 2,343.75
08FR2	14	\$ 20,956.56	\$ 4,267.19
08FR3	20	\$ 18,951.25	\$ 4,699.29
08FR3	59	\$ 68,593.75	\$ 17,148.44
08FR3	67	\$ 12,021.38	\$ 3,005.35
08FR3	68	\$ 3,231.69	\$ 807.92
08NB	10	\$ 2,308.59	\$ 577.15
08NB	11	\$ 2,000.00	\$ 500.00
09	17	\$ 8,167.50	\$ 2,041.88
09FR2	20	\$ 1,420.50	\$ 157.83
09FR2	22	\$ 12,000.00	\$ 3,000.00
09FR2	23	\$ 109,763.64	\$ 27,440.90
09FR3	07	\$ 164.50	\$ 41.13
09FR3	08	\$ 215,500.00	\$ 5,000.00
09FR3	09	\$ 3,500.00	\$ 875.00
09FR3	10	\$ 10,000.00	\$ 2,500.00
09FR3	11	\$ 39,000.00	\$ 9,750.00
09FR3	12	\$ 22,500.00	\$ 5,625.00
09FR3	13	\$ 7,000.00	\$ 1,750.00
09FR3	14	\$ 17,500.00	\$ 4,375.00
09FR3	19	\$ 52,839.19	\$ 13,209.79
11FR	01	\$ 11,001.50	\$ 1,222.38
11FR	02	\$ 53,836.00	\$ 13,459.00
	<b>Total</b>	<b>\$ 718,663.11</b>	<b>\$ 127,337.83</b>

Total of all Cost-Share Encumbrances

\$ 846,000.94

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$0.00

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

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

Subtotal of other funds:

\$0.00

TOTAL OF ALL DEFERRED REVENUE:

**\$895,301.84**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Root River 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 Root River 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 Houston 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 Root River 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

### Fund Financial Statements

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

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

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

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 17 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave up to 192 hours and 50% of accrued sick leave not to exceed 360 hours. On termination of employment by illness or death, employees are paid accrued vacation and up to 192 hours and up to 50% of accrued sick leave not to exceed 360 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 \$N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2010, actual expenditures, \$830,897, did not exceed budgeted expenditures, \$904,790, by (\$73,893).

C. Uncollateralized deposits

During 2010, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2010, the District's deposits totaled \$994,744, of which \$694,744 were cash deposits and \$300,000 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>24,952</u>
Additions	\$ <u>0.00</u>
Deletions	\$ <u>0.00</u>
2010 depreciation	\$ <u>8,447</u>
Balance December 31, 2010	\$ <u>16,505</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$16,505 as of December 31, 2010.

The District uses a threshold of \$5,000.00 for capitalizing assets purchased. Those physical assets under \$5,000.00 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Houston 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 \$895,302.

VI. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2010	\$ <u>33,995</u>
-------------------------	------------------

Net Changes in Compensated Absences	<u>\$(993)</u>
Balance December 31, 2010	<u>\$33,302</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 (MCIT). The District is covered for errors and omissions through MCIT.

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 \$14,402.90, \$13,402, and

\$13,295.89 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 \$14,558.28.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, 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 and investments	\$721,004		\$721,004
Accounts receivable	0		0
Due from other governments	47,813		47,813
Accrued Interest Receivable	681		681
Prepaid items	4,616		4,616
Capital Assets:			
Equipment (net of accumulated depreciation)		8,057	8,057
<b>Total Assets</b>	<b>\$774,114</b>	<b>\$8,057</b>	<b>\$782,171</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$2,087		\$2,087
Salaries payable	8,534		8,534
Deposit of Sales	2,145		2,145
Deferred revenue	508,032		508,032
Long-term liabilities:			
Due within one year		4,432	4,432
Due after one year		24,494	24,494
<b>Total Liabilities</b>	<b>\$520,798</b>	<b>\$28,926</b>	<b>\$549,724</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
Undesignated	253,316	(253,316)	0
<b>Total Fund Balance</b>	<b>\$253,316</b>	<b>(\$253,316)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$8,057	\$8,057
Unrestricted		224,390	224,390
<b>Total Net Assets</b>		<b>\$232,447</b>	<b>\$232,447</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, 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	\$896,874	\$0	\$896,874
Charges for services	8,015	0	8,015
Investment earnings	7,612	0	7,612
Miscellaneous	7,803	0	7,803
<b>Total Revenues</b>	<b>\$920,304</b>	<b>\$0</b>	<b>\$920,304</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	867,003.00	\$4,371	\$871,374
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<b>\$867,003</b>	<b>\$4,371</b>	<b>\$871,374</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$53,301</b>	<b>(\$4,371)</b>	<b>\$48,930</b>
<b>Fund Balance/Net Assets January 1</b>	<b>200,015</b>	<b>(16,498)</b>	<b>183,517</b>
<b>Fund Balance/Net Assets December 31</b>	<b>\$253,316</b>	<b>(\$20,869)</b>	<b>\$232,447</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

	Original /Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>			
<b>Intergovernmental</b>			
County - <i>Allocations; Water Plan; NRBG; WCA</i>	\$180,392	\$198,638	\$18,246
Local - <i>Crooked Creek; Cover Crop; JPB</i>	\$18,000	\$45,409	\$27,409
Federal - <i>USDA; MRBI; Nitrate</i>	\$21,533	\$94,866	\$73,333
State grant	\$863,089	\$557,961	(\$305,128)
<b>Total intergovernmental</b>	<b>\$1,083,014</b>	<b>\$896,874</b>	<b>(\$186,140)</b>
<b>Charges for services - <i>Trees; Materials/Flag; Maps</i></b>	<b>\$10,600</b>	<b>\$8,015</b>	<b>(\$2,585)</b>
<b>Miscellaneous</b>			
Interest earnings	\$8,000	\$7,612	(\$388)
Other - <i>Refunds/R; Sales Tax</i>	5,700	7,803	\$2,103
<b>Total miscellaneous</b>	<b>\$13,700</b>	<b>\$15,415</b>	<b>\$1,715</b>
<b>Total Revenues</b>	<b>\$1,107,314</b>	<b>\$920,304</b>	<b>(\$187,010)</b>
<b>Expenditures</b>			
<b>District operations</b>			
Personnel services	\$298,050	\$298,652	\$602
Other services and charges	\$39,700	\$40,662	\$962
Supplies	\$3,175	\$1,376	(\$1,799)
Capital outlay	\$0	\$0	\$0
<b>Total district operations</b>	<b>\$340,925</b>	<b>\$340,690</b>	<b>(\$235)</b>
<b>Project expenditures</b>			
Federal - <i>Bear Creek Watershed, Winnebago Watershed</i>	\$0	\$39,678	\$39,678
State - <i>Flood, State CS, TA JPB, RIM, Native Buffer, Feedlot (CWL &amp; GF)</i>	\$765,000	\$471,222	(\$293,778)
County - <i>Water Plan, Bear Creek Alloc., WCA</i>	\$6,635	\$2,017	(\$4,618)
District - <i>Sales Tax, Root River &amp; Cover Crop, JPB Expense, Trees, Garden Grant, Maps</i>	\$14,700	\$13,396	(\$1,304)
<b>Total project expenditures</b>	<b>\$786,335</b>	<b>\$526,313</b>	<b>(\$260,022)</b>
<b>Total Expenditures</b>	<b>\$1,127,260</b>	<b>\$867,003</b>	<b>(\$260,257)</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>(\$19,946)</b>	<b>\$53,301</b>	<b>(\$447,267)</b>
<b>Fund Balance - January 1</b>	<b>\$200,015</b>	<b>\$200,015</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$180,069</b>	<b>\$253,316</b>	<b>(\$447,267)</b>

**BALANCING AREA - DO NOT PRINT OUT WITH STATEMENTS**

Difference \$0 \$0

The above numbers should be zero after you have completed your reports. If you, have have errors that need to be corrected somewhere. The left hand column is the General Fund column and should agree to your Trial Balance. The right hand columns are after the GASB34 adjustments are made.

The below tables can be used to calculate the adjustment number in the center column on the Statement of Activities.

Adjustment to Current Expenditures

FY11 depreciation	8,447
FY11 increase in comp absence	(4,076)
Net	4,371

Adjustment to Jan 1 balance

Beg of year net fixed assets	16,504
Less: Beg of year comp absences	33,002
	49,506

Fixed Asset reconciliation

Beginning of year gross fixed assets	\$63,277
Less: beginning of year accum. Depre:	46,773
Beginning of year net fixed assets	16,504
Plus new assets in FY11	0
Less: FY10 depreciation	8,447
End of year net fixed assets	\$8,057

Comp Absences beg of year	33,002
Comp Absences end of year	28,926
Difference (increase)	(4,076)

The below table is a second test you can run if you are out of balance. Obtain the 2010 figures if 2011 is out of balance to help see where you are off.

Test

	<u>2011</u>	<u>2010</u>
Net Assets	214,685	183,517
Fund Balance	235,554	200,015
Difference	(20,869)	(16,498)
Fixed Assets	8,057	16,504
Comp Absenc.	28,926	33,002
Difference	20,869	16,498
Net Diff (should be -0-)	0	0

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

The Root River SWCD's 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 financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. 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 SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Root River SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

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.

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 state finance most activities.

### **Reporting the SWCD's General Fund**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the

SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### THE SWCD AS A WHOLE

Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

#### Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current Assets	\$774,114	\$1,136,395
Capital Assets, net of depreciation	<u>8,057</u>	<u>16,504</u>
Total Assets	\$782,171	\$1,152,899
Current Liabilities	\$520,798	\$936,380
Long term liabilities	<u>28,926</u>	<u>33,002</u>
Total Liabilities	\$549,724	\$969,382
Total Net Assets	<u>\$232,447</u>	<u>\$183,517</u>

Net assets of the District governmental activities increased by \$48,930. 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 \$167,013 at December 31, 2010 to \$224,390 at the end of this year.

#### The District's Statement of Activities

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$896,874	\$746,064
Charges for services	8,015	10,554
Investment earnings	7,612	7,083
Miscellaneous	<u>7,803</u>	<u>21,000</u>
Total Revenues	<u>\$920,304</u>	<u>\$784,701</u>

Expenses		
Conservation	\$867,003	\$838,314
Increase (decrease) in net assets	<u>\$ 35,493</u>	<u>(\$53,613)</u>

The District’s total revenue increased by \$135,603. The total cost of programs and services increased by \$28,689.

The SWCD’s combined net assets were higher, increasing by \$35,493. In contrast, last year net assets decreased by \$53,613.

**Governmental Activities**

In 2011, state revenues were under budget by \$305,128. Deferred revenue decreased \$387,362 to \$508,032. This decrease reflects the 2007 Flood progress made on recovery efforts in Houston County. The high deferred revenue is primarily due to State Cost-Share assistance on flood recovery underway.

**THE SWCD’s FUNDS**

As the SWCD completed the year, its general fund reported a combined fund balance of \$253,316, which is above last year’s total of \$200,015. This reflects an overall increase in state and local funding.

**General Fund Budgetary Highlights**

The most significant variance \$53,301 occurred in the SWCD’s revenue account, where revenues were up significantly in the local and federal funding category of intergovernmental revenue while the Total District Operations expenses decreased.

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

Capital Assets – At the end of 2011, the District had \$8,057 invested in capital assets, including vehicles and office and field equipment.

Long-Term Liabilities – At the end of 2011, the District had \$28,926 in accrued compensates absences. This compares to \$33,002 in 2010.

**CONTACTING THE SWCD’S FINANCIAL MANAGEMENT**

This financial report is 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 Root River SWCD, 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921, (507) 724-5261 ext. 3.





















ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$111,770	\$111,770	\$174,992	\$63,222
Local	54,500	57,175	61,592	4,417
Federal	39,800	12,201	17,786	5,586
State grant	258,465	546,161	441,455	(104,707)
<b>Total intergovernmental</b>	<b>\$464,535</b>	<b>\$727,307</b>	<b>\$695,825</b>	<b>(\$31,483)</b>
<b>Charges for services</b>	<b>\$11,600</b>	<b>\$10,106</b>	<b>\$10,202</b>	<b>\$96</b>
<b>Miscellaneous</b>				
Interest earnings	\$5,100	\$2,100	3,237.84	\$1,138
Other	3,000	2,500	5,301	2,801
<b>Total miscellaneous</b>	<b>\$8,100</b>	<b>\$4,600</b>	<b>\$8,538</b>	<b>\$3,938</b>
<b>Total Revenues</b>	<b>\$484,235</b>	<b>\$742,013</b>	<b>\$714,565</b>	<b>(\$27,448)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$290,322	\$221,172	\$251,050	(\$29,878)
Other services and charges	28,000	29,400	25,982	3,418
Supplies	1,850	1,850	982	868
Capital outlay	0	0	0	0
<b>Total district operations</b>	<b>\$320,172</b>	<b>\$252,422</b>	<b>\$278,013</b>	<b>(\$25,591)</b>
<b>Project expenditures</b>				
District	\$13,000	\$10,150	\$14,390	(\$4,240)
County	\$23,172	\$23,172	\$8,319	\$14,853
Federal	\$25,000	\$0	\$257	(\$257)
State	145,400	381,802	353,969	27,833
<b>Total project expenditures</b>	<b>\$206,572</b>	<b>\$415,124</b>	<b>\$376,935</b>	<b>\$38,189</b>
<b>Total Expenditures</b>	<b>\$526,744</b>	<b>\$667,546</b>	<b>\$654,948</b>	<b>\$12,598</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(\$42,509)</b>	<b>\$74,467</b>	<b>\$59,617</b>	<b>(\$14,850)</b>
<b>Fund Balance - January 1</b>	<b>\$253,316</b>	<b>\$253,316</b>	<b>\$253,316</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$210,807</b>	<b>\$327,783</b>	<b>\$312,933</b>	<b>(\$14,850)</b>

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$695,825	\$0	\$695,825
Charges for services	10,202	0	10,202
Investment earnings	3,238.00	0	3,238
Miscellaneous	5,301	0	5,301
<b>Total Revenues</b>	<b>\$714,566</b>	<b>\$0</b>	<b>\$714,566</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current - 654924	\$654,948	\$4,941	\$659,889
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<b>\$654,948</b>	<b>\$4,941</b>	<b>\$659,889</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$59,618</b>	<b>(\$4,941)</b>	<b>\$54,677</b>
<b>Fund Balance/Net Assets January 1</b>	<b>253,316</b>	<b>(20,869)</b>	<b>232,447</b>
<b>Fund Balance/Net Assets December 31</b>	<b>\$312,934</b>	<b>(\$25,810)</b>	<b>\$287,124</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	432,772		\$432,772
Accounts receivable	0		0
Due from other governments	46,641		46,641
Prepaid items	4,850		4,850
Capital Assets:			
Equipment (net of accumulated depreciation)		0	0
<b>Total Assets</b>	<b>\$484,262</b>	<b>\$0</b>	<b>\$484,262</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	7,631		\$7,631
Salaries payable	6,582		6,582
Deposit of Sales	1,424		1,424
Deferred revenue	155,692		155,692
Long-term liabilities:			
Due within one year		0	0
Due after one year		25,810	25,810
<b>Total Liabilities</b>	<b>\$171,329</b>	<b>\$25,810</b>	<b>\$197,139</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$4,850	(\$4,850)	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	308,084	(308,084)	0
<b>Total Fund Balance</b>	<b>\$312,934</b>	<b>(\$312,934)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$0	\$0
Unassigned		287,123	287,123
<b>Total Net Assets</b>		<b>\$287,123</b>	<b>\$287,123</b>

Notes are an integral part of the basic financial statements.

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

The Root River SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2012. 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 Root River SWCD's financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. 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 SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Root River SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

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.

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 state finance most activities.

### **Reporting the SWCD's General Fund - Fund Financial Statements**

The fund financial statements provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is

reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

## THE SWCD AS A WHOLE

Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

### Net Assets

	Governmental Activities	
	2012	2011
Current Assets	\$484,262	\$774,114
Capital Assets, net of depreciation	<u>0</u>	<u>8,057</u>
Total Assets	\$484,262	\$782,171
Current Liabilities	\$171,329	\$520,798
Long-term liabilities	<u>25,810</u>	<u>28,926</u>
Total Liabilities	\$197,139	\$549,724
Total Net Assets	<u>\$287,123</u>	<u>\$232,447</u>

Net assets of the District governmental activities increased by \$54,676. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$224,390 at December 31, 2011 to \$287,123 at the end of this year.

### The District's Statement of Activities

Governmental Activities	2012	2011
<b>Revenues</b>		
Intergovernmental	\$695,825	\$896,874
Charges for services	10,202	8,015
Investment earnings	3,238	7,612
Miscellaneous	<u>5,301</u>	<u>7,803</u>
Total Revenues	\$714,566	\$920,304
<b>Expenses</b>		
Conservation	<u>\$654,948</u>	<u>\$871,374</u>
<b>Increase in net assets</b>	\$54,677	\$ 48,930

The District's total revenues decreased by \$205,738. The total cost of all programs and services decreased by \$216,426. The SWCD's combined net assets were higher increasing by \$5,747. In contrast, last year net assets increased by \$48,930.

### **Governmental Activities**

In 2012, state revenues were under by \$104,707. Deferred revenue decreased by \$352,340 to \$155,692.10. This decrease reflects the 2007 Flood progress made on recovery efforts in Houston County. The deferred revenue is primarily due to State Cost-Share assistance on flood recovery underway.

### **THE SWCD's FUNDS**

As the SWCD completed the year, its general fund reported a combined fund balance of \$312,934, which is slightly above last year's total of \$253,316. This reflects an overall increase in local funding.

### **General Fund Budgetary Highlights**

The most significant variance (\$104,707) occurred in an SWCD's intergovernmental revenue account. Revenue was down for state grants as noted above and up in the local and county funding categories. The county funding increase was due to recategorizing state funds as county funds compared to when the budget was created. Total expenditures were slightly less than budgeted.

### **CAPITAL ASSET AND LONG TERM LIABILITIES**

#### **Capital Assets**

At the end of 2012 the District had no funds invested in capital assets, including vehicles and office and field equipment.

#### **Long-Term Liabilities**

At the end of 2012, the District had \$25,810 in accrued compensated absences. This compares to \$28,926 in 2011.

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

This financial report is 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 Root River SWCD, 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921, (507) 724-5261 ext. 3.

**BREAKDOWN OF COUNTY REVENUE  
2012**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	<u>\$111,900.00</u>
WATER PLAN MONEY	<u>\$ 17,589.02</u>
WETLAND MONEY	<u>\$ 11,395.71</u>
FEEDLOT MONEY	<u>\$ 17,423.73</u>
ABANDONED WELL	<u>\$ 0.00</u>
DNR SHORELAND	<u>\$ 0.00</u>
OTHER (specify)	<u>\$ 0.00</u>
 TOTAL	 <u>\$158,308.46</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.

---

---



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Root River 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 Root River 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 Houston 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 Root River 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

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

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

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.

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

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

Unrestricted, unassigned 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 17 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 192 hours and 50% of accrued sick leave not to exceed 360 hours. On termination of employment by illness or death, employees are paid accrued vacation and up to 192 hours and up to 50% of accrued sick leave not to exceed 360 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, 2012, the District's General Fund had a deficit fund balance of \$N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2012, actual expenditures, \$ N/A, exceeded budgeted expenditures, \$N/A, by \$N/A.

C. Uncollateralized deposits

During 2012, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

### III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2012, the District's deposits totaled \$432,647.50, of which \$432,647.50 were cash deposits and \$0.00 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2012, 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, 2012	<u>\$8,057.14</u>
Additions	<u>\$0.00</u>
2012 depreciation	<u>\$8,057.14</u>
Balance December 31, 2012	<u>\$0.00</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$0.00 as of December 31, 2012.

The District uses a threshold of \$5,000.00 for capitalizing assets purchased. Those physical assets under \$5,000.00 are expenses directly and not capitalized.

### V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Houston 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 \$155,692.10

### VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2012 are:

Balance January 1, 2012	<u>\$28,926</u>
Net Changes in Compensated Absences	<u>\$3,116</u>
Balance December 31, 2012	<u>\$25,810</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 (MCIT). The District is covered for errors and omissions through MCIT.

The Minnesota Counties Intergovernmental 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 2012. 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 increased to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2012, 2011, and 2010 were \$12,674.95, \$13,721.34, and \$14,402.90 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 2012 were \$9,681.73.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Net Position
<b><u>Assets</u></b>			
Cash and investments	\$559,666		\$559,666
Accounts receivable	18,464		18,464
Due from other governments	2,051		2,051
Prepaid items	4,016		4,016
Capital Assets:			
Equipment (net of accumulated depreciation)	0	0	0
<b>Total Assets</b>	<b>\$584,197</b>	<b>\$0</b>	<b>\$584,197</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$2,381		\$2,381
Salaries payable	8,339		8,339
Deferred Revenue Unearned	222,078		222,078
Deposit of Sales	1,986		1,986
Long-term liabilities:			
Due after one year		32,822	32,822
<b>Total Liabilities</b>	<b>\$234,784</b>	<b>\$32,822</b>	<b>\$267,606</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$4,016	(\$4,016)	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	345,397	(345,397)	0
<b>Total Fund Balance</b>	<b>\$349,413</b>	<b>(\$349,413)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$0	\$0
Unassigned		316,591	316,591
<b>Total Net Position</b>		<b>\$316,591</b>	<b>\$316,591</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$267,273	\$0	\$267,273
Charges for services	10,803	0	10,803
Investment earnings	1,763	0	1,763
Miscellaneous	115,908	0	115,908
<b>Total Revenues</b>	<b>\$395,747</b>	<b>\$0</b>	<b>\$395,747</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$359,268	\$7,012	\$366,280
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<b>\$359,268</b>	<b>\$7,012</b>	<b>\$366,280</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$36,479</b>	<b>(\$7,012)</b>	<b>\$29,467</b>
<b>Fund Balance/Net Position January 1</b>	<b>312,934</b>	<b>(25,810)</b>	<b>287,124</b>
<b>Fund Balance/Net Position December 31</b>	<b>\$349,413</b>	<b>(\$32,822)</b>	<b>\$316,591</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$172,600	\$172,600	\$176,687	\$4,087
Local	0	0	0	0
Federal	0	0	13,372	13,372
State grant	173,869	173,869	77,214	(96,655)
<b>Total intergovernmental</b>	<b>\$346,469</b>	<b>\$346,469</b>	<b>\$267,273</b>	<b>(\$79,196)</b>
<b>Charges for services</b>	<b>\$8,127</b>	<b>\$8,127</b>	<b>\$10,803</b>	<b>\$2,676</b>
<b>Miscellaneous</b>				
Interest earnings	\$1,100	\$1,100	\$1,763	\$663
Other	87,500	87,500	115,908	28,408
<b>Total miscellaneous</b>	<b>\$88,600</b>	<b>\$88,600</b>	<b>\$117,671</b>	<b>\$29,071</b>
<b>Total Revenues</b>	<b>\$443,196</b>	<b>\$443,196</b>	<b>\$395,747</b>	<b>(\$47,449)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$252,412	\$252,412	\$228,192	\$24,220
Other services and charges	40,106	40,106	42,896	(2,790)
Supplies	1,445	1,445	1,316	129
Capital outlay	17,584	17,584	0	17,584
<b>Total district operations</b>	<b>\$311,547</b>	<b>\$311,547</b>	<b>\$272,405</b>	<b>\$39,142</b>
<b>Project expenditures</b>				
Miscellaneous	\$12,721	\$12,721	\$36,448	(\$23,727)
County	\$25,672	\$25,672	\$22,736	
Federal	\$0	\$0	\$5,739	
State	93,256	93,256	21,939	71,317
<b>Total project expenditures</b>	<b>\$131,649</b>	<b>\$131,649</b>	<b>\$86,863</b>	<b>\$47,590</b>
<b>Total Expenditures</b>	<b>\$443,196</b>	<b>\$443,196</b>	<b>\$359,268</b>	<b>\$86,732</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,479</b>	<b>\$39,283</b>
<b>Fund Balance - January 1</b>	<b>\$312,934</b>	<b>\$312,934</b>	<b>\$312,934</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$312,934</b>	<b>\$312,934</b>	<b>\$349,413</b>	<b>\$39,283</b>

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Root River SWCD’s discussion and analysis provides an overview of the SWCD’s financial activities for the fiscal year ended December 31, 2013. 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 Root River SWCD’s financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management’s discussion and analysis and the basic financial statements. 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 SWCD as a whole and present a longer-term view of the SWCD’s finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD’s operations in more detail than the government-wide statements by providing information about the SWCD’s most significant funds. Since SWCD’s are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Root River SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

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.

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 state finance most activities.

### **Reporting the SWCD’s General Fund - Fund Financial Statements**

The fund financial statements provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD’s basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is

reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

**THE SWCD AS A WHOLE**

Our analysis focuses on the net assets and changes in net assets of the District’s governmental activities.

**Net Assets**

	Governmental Activities	
	2012	2011
Current Assets	\$584,197	\$484,262
Capital Assets, net of depreciation	<u>0</u>	<u>0</u>
Total Assets	\$584,197	\$484,262
Current Liabilities	\$234,784	\$171,329
Long-term liabilities	<u>32,822</u>	<u>25,810</u>
Total Liabilities	\$267,606	\$197,139
Total Net Assets	<u>\$316,591</u>	<u>\$287,123</u>

Net assets of the District governmental activities increased by \$29,468. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$287,123 at December 31, 2012 to \$316,591 at the end of this year.

**The District’s Statement of Activities**

Governmental Activities	2013	2012
<b>Revenues</b>		
Intergovernmental	\$267,273	\$695,825
Charges for services	10,803	10,202
Investment earnings	1,763	3,238
Miscellaneous	<u>115,908</u>	<u>5,301</u>
Total Revenues	<u>\$395,747</u>	<u>\$714,566</u>
<b>Expenses</b>		
Conservation	<u>\$359,268</u>	<u>\$654,948</u>
<b>Increase in net assets</b>	\$ 36,479	\$ 59,618

The District's total revenues decreased by \$318,819. The total cost of all programs and services decreased by \$295,680. The SWCD's combined net assets were lower decreasing by \$23,139. In contrast, last year net assets increased by \$5,747.

### **Governmental Activities**

In 2013, state revenues were under by \$96,655. Deferred revenue increased by \$66,386 to \$222,078. This increase reflects the deferred revenue received for a grant that will be paid out to landowners on a yearly base. The remainder of the deferred revenue is primarily due to State Cost-Share assistance on flood recovery projects underway.

### **THE SWCD'S FUNDS**

As the SWCD completed the year, its general fund reported a combined fund balance of \$349,413, which is above last year's total of \$312,934. This reflects an overall increase in local funding.

### **General Fund Budgetary Highlights**

The most significant variance (\$96,655) occurred in an SWCD's intergovernmental revenue account. Revenue was down for State Grants and up in the Other funding category. Funding from non-governmental organizations make up the Other funding category. Total expenditures were less than budgeted.

### **CAPITAL ASSET AND LONG TERM LIABILITIES**

#### **Capital Assets**

At the end of 2013 the District had no funds invested in capital assets, including vehicles and office and field equipment.

#### **Long-Term Liabilities**

At the end of 2013, the District had \$32,822 in accrued compensated absences. This compares to \$25,810 in 2012.

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

This financial report is 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 Root River SWCD, 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921, (507) 724-5261 ext. 3.

**BREAKDOWN OF COUNTY REVENUE  
2013**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	<u>\$119,359</u>
WATER PLAN MONEY	<u>\$21,154</u>
WETLAND MONEY	<u>\$14,194</u>
FEEDLOT MONEY	<u>\$21,980</u>
ABANDONED WELL	<u>\$0.00</u>
DNR SHORELAND	<u>\$0.00</u>
OTHER (specify)	<u>\$0.00</u>
TOTAL	<u>\$ 176,687</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.

---

---



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Root River 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 Root River 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 Houston 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 Root River 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 Position 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.

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 non-exchange 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.

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

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

Unrestricted, unassigned 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 Position 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 17 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 192 hours and 50% of accrued sick leave not to exceed 360 hours. On termination of employment by illness or death, employees are paid accrued vacation and up to 192 hours and up to 50% of accrued sick leave not to exceed 360 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, 2013, the District's General Fund had a deficit fund balance of \$N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2013, actual expenditures, \$N/A, exceeded budgeted expenditures, \$N/A, by \$N/A.

C. Uncollateralized deposits

During 2013, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2013, the District's deposits totaled \$559,666, all of which were cash deposits. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, 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, 2013	<u>\$0.00</u>
Additions	<u>\$0.00</u>
2013 depreciation	<u>\$0.00</u>
Balance December 31, 2013	<u>\$0.00</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$0.00 as of December 31, 2013.

The District uses a threshold of \$5,000.00 for capitalizing assets purchased. Those physical assets under \$5,000.00 are expenses directly and not capitalized.

V. DEFERRED REVENUE

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

Total Unearned Revenues itemized on "Unearned Revenue Breakdown" is \$222,077.75.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2013 are:

Balance January 1, 2012	<u>\$25,810</u>
Net Changes in Compensated Absences	<u>\$7,012</u>
Balance December 31, 2013	<u>\$32,822</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 (MCIT). The District is covered for errors and omissions through Minnesota Counties Insurance Trust (MCIT).

The Minnesota Counties Intergovernmental 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 6.25%, respectively, of their annual covered salary in 2013. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.25% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2013, 2012, and 2011 were \$12,242.38, \$14,402.90, and \$13,721.34 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 2013 were \$10,305.48.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Adjustments See Notes	Statement of Net Position
<b><u>Assets</u></b>			
Cash and investments	\$488,416		\$488,416
Accounts receivable & Interest receivable	406		406
Due from other governments	181		181
Prepaid items	4,494		4,494
Capital Assets:			
Equipment (net of accumulated depreciation)	0	0	0
<b>Total Assets</b>	<b>\$493,497</b>	<b>\$0</b>	<b>\$493,497</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$4,890		\$4,890
Salaries payable	10,512		10,512
Unearned revenue	130,611		130,611
Deposit of Sales	3,453		3,453
Long-term liabilities:		0	0
Due after one year		23,083	23,083
<b>Total Liabilities</b>	<b>\$149,466</b>	<b>\$23,083</b>	<b>\$172,549</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$4,494	(\$4,494)	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	339,537	(339,537)	0
<b>Total Fund Balance</b>	<b>\$344,031</b>	<b>(\$344,031)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$0	\$0
Unassigned		320,948	320,948
<b>Total Net Position</b>		<b>\$320,948</b>	<b>\$320,948</b>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$340,595	\$0	\$340,595
Charges for services	10,488	0	10,488
Investment earnings	1,657	0	1,657
Miscellaneous	124,201	0	124,201
<b>Total Revenues</b>	<u><b>\$476,941</b></u>	<u><b>\$0</b></u>	<u><b>\$476,941</b></u>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$482,323	(\$9,739)	\$472,584
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<u><b>\$482,323</b></u>	<u><b>(\$9,739)</b></u>	<u><b>\$472,584</b></u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>(\$5,382)</b>	<b>\$9,739</b>	<b>\$4,357</b>
<b>Fund Balance/Net Position January 1</b>	<u>349,413</u>	<u>(32,822)</u>	<u>316,591</u>
<b>Fund Balance/Net Position December 31</b>	<u><b>\$344,031</b></u>	<u><b>(\$23,083)</b></u>	<u><b>\$320,948</b></u>

Notes are an integral part of the basic financial statements.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
CALEDONIA, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2014

	<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	\$0	\$182,000	\$186,123	\$4,123
Local	0	0	0	0
Federal	0	0	0	0
State grant	0	280,426	154,471	(125,955)
<b>Total intergovernmental</b>	<b>\$0</b>	<b>\$462,426</b>	<b>\$340,594</b>	<b>(\$121,832)</b>
<b>Charges for services</b>	<b>\$0</b>	<b>\$9,021</b>	<b>\$10,488</b>	<b>\$1,467</b>
<b>Miscellaneous</b>				
Interest earnings	\$0	\$700	\$1,657	\$957
Other	0	120,000	124,201	4,201
<b>Total miscellaneous</b>	<b>\$0</b>	<b>\$120,700</b>	<b>\$125,858</b>	<b>\$5,158</b>
<b>Total Revenues</b>	<b>\$0</b>	<b>\$592,147</b>	<b>\$476,940</b>	<b>(\$115,207)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$0	\$271,708	\$288,257	(\$16,549)
Other services and charges	0	55,677	50,612	5,065
Supplies	0	2,450	1,935	515
Capital outlay	0	10,000	0	10,000
<b>Total district operations</b>	<b>\$0</b>	<b>\$339,835</b>	<b>\$340,804</b>	<b>(\$969)</b>
<b>Project expenditures</b>				
District/County/Misc.	\$0	\$51,500	\$40,807	\$10,693
State	0	156,745	100,711	56,034
<b>Total project expenditures</b>	<b>\$0</b>	<b>\$208,245</b>	<b>\$141,518</b>	<b>\$66,727</b>
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$548,080</b>	<b>\$482,322</b>	<b>\$65,758</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$44,067</b>	<b>(\$5,382)</b>	<b>(\$49,449)</b>
<b>Fund Balance - January 1</b>	<b>\$0</b>	<b>\$349,413</b>	<b>\$349,413</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$0</b>	<b>\$393,480</b>	<b>\$344,031</b>	<b>(\$49,449)</b>

Notes are an integral part of the basic financial statements.

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

The Root River Soil & Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2014. 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 financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. 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 SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Root River SWCD has elected to present in this format.

### **The Statement of Net Position and the Statement of Activities**

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 Position 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 position and changes in them. You can think of the SWCD's net position — 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 position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position 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 state finance most activities.

## Reporting the SWCD's General Fund

### Fund Financial Statements

The fund financial statements provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### THE SWCD AS A WHOLE

The SWCD's combined net assets were virtually unchanged, increasing from \$316,591 to \$320,948. In contrast, last year net assets increased by \$29,467. Our analysis focuses on the net assets and changes in net assets of the SWCD's governmental activities.

#### Net Assets

	Governmental Activities	
	2014	2013
Current and other assets	\$493,497	\$584,197
Capital assets	0	0
Total assets	\$493,497	\$584,197
Long-term liabilities	23,083	32,822
Current liabilities	149,466	234,784
Total liabilities	\$172,549	\$267,606
Net assets		
Invested in capital assets, net of debt	0	0
Restricted	4,494	4,016
Unrestricted	344,031	345,397
Total net assets	\$320,948	\$316,591

Net assets of the SWCD governmental activities increased, \$320,948 compared to \$316,591 by \$4,357. 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 \$316,591 at December 31, 2013 to \$320,948 at the end of this year.

This deficit in unrestricted governmental net assets arose primarily because of the following factor: The final flood event project was installed using deferred revenue from the previous year.

## SWCD's Statement of Activities

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Intergovernmental	\$340,595	\$267,273
Charges for services	10,488	10,803
Investment earnings	1,657	1,763
Miscellaneous	124,201	115,901
Total revenues	\$476,941	\$395,747
<b>Expenses</b>		
Conservation	\$482,323	\$359,268
<b>Decrease in net assets</b>	(\$5,382)	\$36,479

The SWCD's total revenues increased \$81,194. The total cost of all programs and services increased \$123,055. Even with this high growth in expenses the SWCD covered this year's costs. The factors that led to the accumulated deficit also were the primary reasons for this year's shortfall.

The SWCD's combined net assets were lower decreasing by \$41,861. In contrast, last year net assets decreased by \$23,139. Our analysis below separately considers the operations of governmental activities.

### Governmental Activities

In 2014, state revenues were similar to those in 2013 at \$79,051. Deferred revenue decreased by \$91,467. The decrease reflects the completion of the final SE Flood Recovery project. A large portion of the remaining deferred revenue, \$72,000, is grant funds that will be paid out on a yearly basis.

### THE SWCD's FUNDS

As the SWCD completed the year, its general fund reported a combined fund balance of \$344,031, which is slightly below last year's total of \$349,413. Included in this year's total change in fund balance, is a deficit of \$5,382 in the SWCD's General Fund. The primary reasons for the General Fund's deficit mirror the governmental activities analysis highlighted on page 5.

### General Fund Budgetary Highlights

The most significant variance occurred in the SWCD's intergovernmental revenue account. Revenue was down for state grants by \$126,505. Funding from non-governmental organizations make up the other funding category.

## **CAPITAL ASSET AND LONG TERM LIABILITIES**

### **Capital Assets**

At the end of 2014, the SWCD had no funds invested in capital assets, including vehicles, office and field equipment.

### **Long-Term Liabilities**

At the end of 2014, the SWCD had \$23,083 in accrued compensated absences. This compares to \$32,822 in 2013.

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

This financial report is 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 Root River SWCD, 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921, (507) 724-5261 ext. 3.

**BREAKDOWN OF COUNTY REVENUE  
2014**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$129,000.00
WATER PLAN MONEY	\$22,947.07
WETLAND MONEY	\$12,203.40
FEEDLOT MONEY	\$17,300.12
ABANDONED WELL	\$0.00
DNR SHORELAND	\$0.00
OTHER (Aquatic Invasive Species)	\$4,673.00
TOTAL	<u>\$186,123.36</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.

---

---



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Root River Soil and Water Conservation 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 Root River 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 Houston 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 Root River 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 Position 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.

### 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.

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

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

Unrestricted, unassigned 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 Position 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 17 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 192 hours and 50% of accrued sick leave not to exceed 360 hours. On termination of employment by illness or death, employees are paid accrued vacation and up to 192 hours and up to 50% of accrued sick leave not to exceed 360 hours.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

At December 31, 2014, the District's General Fund had a deficit fund balance of \$N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2014, actual expenditures, \$482,322, did not exceed budgeted expenditures, \$548,080, by \$65,758.

C. Uncollateralized deposits

During 2014, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2014, the District's deposits totaled \$397,495, all were cash deposits. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2014, 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, 2014	\$0.00
Additions	\$0.00
2014 depreciation	\$0.00
Balance December 31, 2014	\$0.00

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$0.00 as of December 31, 2014.

The District uses a threshold of \$5,000.00 for capitalizing assets purchased. Those physical assets under \$5,000.00 are expenses directly and not capitalized.

V. DEFERRED REVENUE

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

Total Unearned Revenues itemized on "Unearned Revenue Breakdown" is \$130,610.89.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2014 are:

Balance January 1, 2013	<u>\$32,822</u>
Net Changes in Compensated Absences	<u>\$(9,739)</u>
Balance December 31, 2014	<u>\$23,083</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 (MCIT). The District is covered for errors and omissions through Minnesota Counties Insurance Trust (MCIT).

The Minnesota Counties Intergovernmental 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 2014. 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 increased to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2014, 2013, and 2012 were \$14,390.31, \$12,242.38 and \$14,402.90 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 2014 were \$10,305.48.

**ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
 CALEDONIA, MINNESOTA  
 STATEMENT OF NET POSITION AND  
 GOVERNMENTAL FUND BALANCE SHEET  
 DECEMBER 31, 2015**

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and Investments	\$ 535,962	\$ -	\$ 535,962
Prepaid Items	3,878	-	3,878
Accounts Receivable	12,847	-	12,847
Due From Other Governments	1,354	-	1,354
Interest Receivable	53	-	53
Capital Assets:			
Equipment (net of accumulated depreciation)	-	-	-
<b>Total Assets</b>	<b>554,094</b>	<b>-</b>	<b>554,094</b>
<b>Deferred Outflows of Resources</b>			
Defined Benefit Pension Plan	-	-	-
<b>Combined Assets and Deferred Outflows of Resources</b>			
	<b>\$ 554,094</b>	<b>\$ -</b>	<b>\$ 554,094</b>
<b>Liabilities</b>			
Current Liabilities:			
Unearned Revenue	\$ 153,386	\$ -	\$ 153,386
Accounts Payable	\$ 432	-	\$ 432
Due to Other Governments	\$ 1,746	-	\$ 1,746
Accrued Wages	8,018	-	8,018
Deposit on Sales	1,802	-	1,802
Long-term Liabilities:			
Net Pension Liability	-	-	-
Due after one year	-	17,621	17,621
<b>Total Liabilities</b>	<b>165,384</b>	<b>17,621</b>	<b>183,005</b>
<b>Deferred Inflows of Resources</b>			
Defined Benefit Pension Plan	-	-	-
<b>Combined Liabilities and Deferred Inflows of Resources</b>			
	<b>\$ 165,384</b>	<b>\$ 17,621</b>	<b>\$ 183,005</b>
<b>Fund Balance/Net Position</b>			
Fund Balance			
Nonspendable - Prepaids	\$ 3,878	\$ (3,878)	\$ -
Assigned - Compensated Absences	17,621	(17,621)	-
Unassigned	367,211	(367,211)	-
<b>Total Fund Balance</b>	<b>\$ 388,710</b>	<b>\$ (388,710)</b>	<b>\$ -</b>
Net Position			
Investments in Capital Assets		\$ -	\$ -
Unrestricted		371,089	371,089
<b>Total Net Position</b>		<b>\$ 371,089</b>	<b>\$ 371,089</b>

**ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
 CALEDONIA, MINNESOTA  
 STATEMENT OF ACTIVITIES AND  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$ 280,626	\$ -	\$ 280,626
Charges for Services	10,747	-	10,747
Investment Earnings	821	-	821
Miscellaneous	100,634	-	100,634
Total Revenues	<u>\$ 392,828</u>	<u>\$ -</u>	<u>\$ 392,828</u>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$ 348,149	\$ (5,462)	\$ 342,687
Capital Outlay	-	-	-
Total Expenditures/Expenses	<u>\$ 348,149</u>	<u>\$ (5,462)</u>	<u>\$ 342,687</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 44,679</u>	<u>\$ 5,462</u>	<u>\$ 50,141</u>
Fund Balance/Net Position January 1	\$ 344,031	\$ (23,083)	\$ 320,948
Change in Accounting Principle	-	-	-
Fund Balance/Net Position December 31	<u>\$ 388,710</u>	<u>\$ (17,621)</u>	<u>\$ 371,089</u>

Notes are an integral part of the basic financial statements.

**ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT  
 CALEDONIA, MINNESOTA  
 BUDGETARY COMPARISON STATEMENT  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2015**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
<b>Revenues</b>			
Intergovernmental			
County	\$ 202,014	\$ 213,720	\$ 11,706
Local	-	-	-
Federal	3,500	-	(3,500)
State Grant	78,589	66,906	(11,683)
Total Intergovernmental	<u>\$ 284,103</u>	<u>\$ 280,626</u>	<u>\$ (3,477)</u>
Charges for Services	<u>\$ 7,921</u>	<u>\$ 10,747</u>	<u>\$ 2,826</u>
Miscellaneous			
Interest Earnings	\$ 100	\$ 821	\$ 721
Other & Miscellaneous	105,000	100,634	(4,366)
Total Miscellaneous	<u>\$ 105,100</u>	<u>\$ 101,455</u>	<u>\$ (3,645)</u>
 Total Revenues	 <u>\$ 397,124</u>	 <u>\$ 392,828</u>	 <u>\$ (4,296)</u>
<b>Expenditures</b>			
District Operations			
Personnel Services	\$ 284,591	\$ 207,718	\$ 76,873
Other Services and Charges	\$ 40,013	38,246	1,767
Supplies	2,650	1,891	759
Capital Outlay	10,000	-	10,000
Total District Operations	<u>\$ 337,254</u>	<u>\$ 247,855</u>	<u>\$ 89,399</u>
Project Expenditures			
District	\$ 40,500	\$ 71,477	\$ (30,977)
State	32,000	28,817	3,183
Total Project Expenditures	<u>\$ 72,500</u>	<u>\$ 100,294</u>	<u>\$ (27,794)</u>
 Total Expenditures	 <u>\$ 409,754</u>	 <u>\$ 348,149</u>	 <u>\$ 61,605</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (12,630)</u>	<u>\$ 44,679</u>	<u>\$ 57,309</u>
Fund Balance - January 1	\$ 344,031	\$ 344,031	\$ -
Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 331,401</u>	<u>\$ 388,710</u>	<u>\$ 57,309</u>

Notes are an integral part of the basic financial statements.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Root River Soil & Water Conservation District’s discussion and analysis provides an overview of the SWCD’s financial activities for the fiscal year ended December 31, 2015. 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 SWCD’s financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of two parts: management’s discussion and analysis (this section) and the basic financial statements. 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 SWCD as a whole and present a longer-term view of the SWCD’s finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD’s operations in more detail than the government-wide statements by providing information about the SWCD’s most significant funds. Since SWCD’s are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Root River Soil & Water Conservation District has elected to present in this format.

### **The Statement of Net Position and the Statement of Activities**

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 Position 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 position and changes in them. You can think of the SWCD’s net position — 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 position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position 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 state finance most activities.

## Reporting the SWCD's General Fund

### Fund Financial Statements

The fund financial statements provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### THE SWCD AS A WHOLE

Our analysis focuses on the net position and changes in net position of the SWCD's governmental activities.

#### Net Position

	Governmental Activities	
	2015	2014
Current Assets	<u>554,094</u>	<u>493,497</u>
Total Assets	<u>554,094</u>	<u>493,497</u>
Long-term Liabilities	17,621	23,083
Liabilities, Unearned Revenue	<u>165,384</u>	<u>149,466</u>
Total Liabilities	<u>183,005</u>	<u>172,549</u>
Unrestricted	371,089	320,948
Total Net Position	<u>371,089</u>	<u>320,948</u>

The SWCD's combined net position was higher increasing from \$320,948 to \$371,089. In contrast, last year's net position increased by \$4,357.

Net position of the SWCD's governmental activities increased by \$50,141. Unrestricted net position—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 \$320,948 at December 31, 2014 to a \$371,089 at the end of this year.

## Changes in Net Position

	Governmental Activities	
<u>Revenues</u>	<u>2015</u>	<u>2014</u>
Intergovernmental	\$ 280,626	\$ 340,594
Charges for Services	10,747	10,489
Investment Earnings	821	1,657
Miscellaneous	<u>100,634</u>	<u>124,201</u>
Total Revenues	<u>\$ 392,898</u>	<u>\$ 476,941</u>
<u>Expenditures</u>		
Conservation	<u>\$ 342,687</u>	<u>\$ 472,584</u>
Total Expenditures	<u>\$ 342,687</u>	<u>\$ 472,584</u>
<b>Increase (decrease) in Net Position</b>	<b>\$ 50,141</b>	<b>\$ 4,357</b>

The SWCD's total revenues decreased by 82 percent (\$50,141). The total cost of all programs and services decreased by \$129,897, (73 percent) with the closure of two programs and one new program being added this year. Even with this reduction in growth the expenses reduced accordingly and the SWCD covered this year's costs.

## THE SWCD's FUNDS

As the SWCD completed the year, its general fund reported a combined fund balance of \$388,710, which is above last year's total of \$344,031.

### General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$61,605 below the budget amount.

Though Project Expenses were above the budget amount by a variance of \$30,977, a significant reduction (\$76,873) occurred in the SWCD's Personnel Services. Staff restructuring resulted in a 73 percent reduction in the Personnel Services from the budget amount.

In addition to the reduction in expenditures the approved budget also reflected deficit spending of \$12,600 which plays a part in the difference between budgetary and actual amounts.

## **CAPITAL ASSET AND LONG TERM LIABILITIES**

### **Capital Assets**

At the end of 2015, the SWCD had \$0 invested in capital assets. Assets that exist are fully depreciated.

### **Long-Term Liabilities**

At the end of 2015, the District had \$17,621 in accrued compensated absences. This compares to \$23,083 in 2014.

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

This financial report is designed to provide our citizens, taxpayers, customers, 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 Root River Soil and Water Conservation District at 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921. The phone number is (507) 724-5261 extension 3.

**BREAKDOWN OF COUNTY REVENUE  
2015**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$129,000.00
WATER PLAN MONEY	\$25,775.17
WETLAND MONEY	\$15,609.31
FEEDLOT MONEY	\$27,398.77
ABANDONED WELL	\$0.00
DNR SHORELAND	\$0.00
OTHER (Aquatic Invasive Species)	\$15,936.75
TOTAL	<u>\$213,720.00</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.



**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

The financial reporting policies of the Root River Soil and Water Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Changes in Accounting Principles

During the year ended December 31, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Financial Reporting Entity

The Root River Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District 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 District provides technical and financial assistance to individuals, groups, Districts, 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.

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.

Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Position and The Statement of Activities) report information on all of the non-fiduciary 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

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.

Investment earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

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

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 District approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

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.

**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to net position.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Non-spendable – the non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District. Those committed amounts cannot be used for any other purposes unless the District removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District or the District Administrator who has been delegated that authority by District resolution.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Explanation of Adjustments Column in Statements

Capital Assets: In the Statement of Net Position 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 the Capital Assets Note.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence Liability the District has as of the report date. See note on Long-Term Liabilities.

**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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 the note on Long-Term Liabilities.

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 17 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of vacation leave is 192 hours and the limit on the accumulation of sick leave is 800 hours. Upon termination of employment from the District, employees are paid accrued vacation leave up to 192 hours and 50% sick leave hours not to exceed 360 hours. Termination of employment due to illness or death, employees are paid accrued vacation up to 192 hours and up to 50% of accrued sick leave not to exceed 360 hours.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District 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 coverage for any of the past three fiscal years.

**Note 2 - Detailed Notes**

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$63,277	\$0	\$0	\$63,277
Less: Accumulated Depreciation	<u>0</u>	0	0	<u>0</u>
Net Capital Assets	<u>\$63,277</u>			<u>\$63,277</u>

**Root River SWCD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment. Current year depreciation is \$0.00.

The District uses the threshold of \$5,000 for capitalizing assets purchased. Physical assets under \$5,000 are expenses directly and not capitalized.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2015, consists of the following: BWSR Cost Share Programs, \$66,705.10; BWSR Service Grants, \$3,605.95; Hayable Buffer \$63,000; AIS \$20,074.48; Total, \$153,385.53.

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2015 are:

Balance December 31, 2014	\$23,083.00
Net Change in Compensated Absences	<u>(5,462.04)</u>
Balance December 31, 2015	<u>\$17,620.96</u>

Deposits

All District funds are on deposit with Houston County.

Employee Benefits

The District contracts with Houston County for all District staff requirements, including PERA and compensated absences.

**Note 3 - Defined Benefit Pension Plans**

Plan Description - Public Employees Retirement Association

The District contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee 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.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature.

**Root River SWCD  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

The District makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.5% of their annual covered salary. The District is required to contribute 7.5% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2015, 2014 and 2013 were \$10,582.85, \$14,390.31, and \$12,242.38, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 4 - Operating Leases**

The District leases office space on a yearly basis. Under the current agreement total costs for 2015 were \$10,305.48.

**Note 5 - Stewardship, Compliance and Accountability**

The District did not have an excess of expenditures over budget.

**Note 6 - Reconciliation of Fund Balance to Net Position**

Governmental Fund Balance, January 1	\$344,031
Plus: Excess of Revenue Over Expenditures	<u>44,679</u>
Governmental Fund Balance, December 31	<u>\$388,710</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	
Plus: Deferred Outflows of Resources	
Less: Long-Term Liabilities	(17,621)
Less: Deferred Inflows of Resources	
Net Position	<u>\$371,089</u>

**Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position**

Change in Fund Balance	\$44,679
Capital Outlay	
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	(0)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>5,462</u>
Change in Net Position	<u>\$50,141</u>