

**NOBLES SOIL AND WATER  
CONSERVATION DISTRICT  
AUDITED FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2009**

# NOBLES SOIL AND WATER CONSERVATION DISTRICT

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# NOBLES SOIL AND WATER CONSERVATION DISTRICT

## SCHEDULE OF BOARD MEMBERS AND OFFICIALS

DECEMBER 31, 2009

		<u>Term Expires</u>
Paul Langseth	Chairman	12-31-12
Rick Nelsen	Vice Chairman	12-31-10
Lynn Darling	Secretary	12-31-12
Ken Wolf	Treasurer	12-31-12
Jim Knips	Public Relations	12-31-10
Jane Steffl	Financial/Contacting Officer	Indefinite
Ed Lenz	District Manager	Indefinite
Mary Kretz	Education Coordinator	Indefinite
Aaron Crowley	District Technician	Indefinite

**RICHARD W. HOLMBERG, LTD**  
**Certified Public Accountant**

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INDEPENDENT AUDITORS' REPORT

Nobles Soil & Water Conservation District  
1567 McMillan Street Suite 3  
Worthington, MN 56187


We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2009, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Minnesota Legal Compliance Audit Guide for Local Governments, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2010 on our consideration of the Nobles Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Richard W. Holmberg, Ltd.  
Certified Public Accountant

October 20, 2010

## **NOBLES SOIL AND WATER CONSERVATION DISTRICT**

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

The Nobles Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on 2009 activities, resulting changes, and currently known facts, it should be read in conjunction with the Nobles SWCD's financial statements beginning on page 9.

### **FINANCIAL HIGHLIGHTS**

- The Nobles Soil and Water Conservation District's total net assets from governmental activities increased 3% from 2008 to 2009.
- Due to several local agencies contributing to the cost of a Dew Drop Drill and trailer, the District's Capital Assets were increased with very little expense to the District.
- Intergovernmental Revenue-Local and Intergovernmental Revenue-County were each increased by \$10,000 over what was budget due to increasing District programs.
- The intergovernmental-state revenue was significantly more than budgeted due to the decrease in deferred revenue in 2009 from the 2008 figures.

### **USING THIS ANNUAL REPORT**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) 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 also appear on pages 12 and 13. 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. The Nobles SWCD has elected to present in this format.

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

Our analysis of the Nobles SWCD as a whole begins on page 3. One of the most important questions asked about the SWCD's finances is, "Is the Nobles 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 this 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 2009 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. One 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. One would need to consider other nonfinancial factors, however, to assess the overall health of the Nobles SWCD.

In the Statement of Net Assets and 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 Nobles SWCD General Fund**

### **Fund Financial Statements**

Our analysis of the SWCD's general fund begins on page 5. The fund financial statements begin on page 9 and provide 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 to determine whether there are 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 the governmental funds in reconciliations included with the financial statements on pages 10 and 12.

## THE NOBLES SWCD AS A WHOLE

The SWCD's combined net assets were increased from \$222,024 in 2008 to \$228,538 in 2009. Looking at the net assets and net expenses of governmental activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Nobles SWCD governmental activities.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	
	<u>2009</u>	<u>2008</u>
Current and other assets	248,317	310,197
Capital assets	<u>39,794</u>	<u>39,300</u>
<b>Total assets</b>	<b>\$ 288,111</b>	<b>\$ 349,497</b>
Long-term debt outstanding	12,399	8,893
Other liabilities	<u>47,174</u>	<u>118,580</u>
<b>Total liabilities</b>	<b>\$ 59,573</b>	<b>\$ 127,473</b>
Net assets		
Invested in capital assets, net of debt	39,793	39,300
Unrestricted	<u>188,745</u>	<u>182,724</u>
<b>Total net assets</b>	<b>\$ 228,538</b>	<b>\$ 222,024</b>

Net assets of the SWCD's governmental activities increased by 3 percent (\$222,024 compared to \$228,538). 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 an \$162,724 surplus at December 31, 2008, to \$168,745 surplus, at the end of this year.

The surplus in unrestricted governmental net assets increased primarily because in 2008, the Nobles SWCD deferred \$114,620, with the majority being State Cost-Share contracts that were completed and paid in 2009. In 2009, the SWCD deferred only \$47,174. Also, a new drill was purchased using funds from several local agencies, and the drill was added to the Nobles SWCD's Capital Assets.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental</b>	
	<b><u>Activities</u></b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Revenues</b>		
Program revenues:		
Charges for services	33,608	36,730
Intergovernmental Revenue	248,342	174,056
Misc. Rev.-Interest	2,261	5,123
Misc. Rev.-Other	<u>10,875</u>	<u>28,057</u>
Total Revenues	<b>\$ 295,086</b>	<b>\$ 243,966</b>
<b>Program Expenses</b>		
Personal Services	140,019	129,020
Other Services & Charges	36,966	41,148
Supplies	1,087	1,558
Depreciation	10,388	13,257
Project Exp-District	32,980	50,811
Project Exp-State, Co., SWCD	<u>67,132</u>	<u>29,212</u>
Total Expenses	<b>\$ 288,572</b>	<b>\$ 265,006</b>
<b>Increase (Decrease) in net assets</b>	<b><u>\$6,514</u></b>	<b><u>\$(21,040)</u></b>

The SWCD's total revenues, excluding special items, increased 21%. The Intergovernmental Revenue actually increased \$74,286 due to several factors of which the largest was the State Cost-Share increase in deferred revenue in 2008 then decreasing a large amount for the 2009 deferred revenue. Our analysis below separately considers the operations of governmental activities.

### **Governmental Activities**

Revenues from charges for services for the Nobles SWCD governmental activities decreased 8.5% (\$3,122), and total expenses, excluding depreciation, increased 10.5% (\$26,435). Net assets increased by 2.9%. This compares to a 8.7% decrease in net assets in 2008.

The cost of all governmental activities in 2009 was \$288,572 compared to \$265,006 in 2008. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through County and State allocations was only \$101,436, because some of the cost was paid by District charges for services or by

other local intergovernmental revenues that subsidized certain programs with grants and contributions. Overall, the Nobles SWCD's governmental program revenues, including intergovernmental revenue and fees for services increased in 2009, from \$243,966 to \$295,086, principally based on increases in intergovernmental (local and county), Charges for Services & Misc. Rev.-Other. The SWCD paid for the remaining "public benefit" portion of governmental activities with other revenues, such as the increased tree sales in 2009.

Table 3 presents the cost of the SWCD's four largest programs which are grouped under the Conservation category: tree program, cost-share program, grass drill program, and education program. The net cost (total cost less revenues generated by the activities) shows \$0 on Table 3 because employee's wages and other district expenses are not figured into the total.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Conservation	32,980	36,730	0	0
Other	36,966	39,362	0	0
<b>Totals</b>	<b><u>\$69,946</u></b>	<b><u>\$76,092</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**THE FUNDS**

As the SWCD completed the year, its general fund, as presented in the balance sheet on page 12, reported a combined fund balance of \$201,143, which is more than last year's total of \$191,617. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on pages 7 and 8.

**General Fund Budgetary Highlights**

In the Nobles SWCD 2009 budget the actual charges to appropriations (expenditures) were \$20,027 above the budget amounts. The most significant positive variance occurred in the Nobles SWCD's Local, County and State Intergovernmental Revenue.

Due to the capital purchases, resources available for appropriation were below the final budgeted amount. State funding also affected grant resources available for appropriation.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the SWCD had \$39,793 invested in a broad range of capital assets, including building improvements, vehicles and equipment. (See Table 4 below). This amount represents an increase (including additions and deductions) of \$493.00, or 1% over last year.

**Table 4**  
**Capital Assets at Year-end**

	<b>Governmental Activities</b>	
	<u>2009</u>	<u>2008</u>
Leasehold Improvements	0	0
Vehicles	28,808	23,360
Equipment	<u>10,985</u>	<u>15,940</u>
	<b><u>\$39,793</u></b>	<b><u>\$39,300</u></b>

### Long-Term Liabilities

The Nobles SWCD has obligations that include accrued vacation pay, but currently has no outstanding notes. More detailed information about the SWCD's long-term liabilities is presented in Note II C to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Nobles SWCD's elected and appointed officials considered several factors when setting the fiscal-year 2010 budget and fees that will be charged for the business-type activities. Revenue from the tree program is expected to be down again this year but the District plans to seek revenues through additional grants.

## CONTACTING THE NOBLES SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SWCD's finances 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 Nobles Soil and Water Conservation District, 1567 McMillan St., Suite 3, Worthington, MN 56187 at 507-376-9150, extension #3.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**December 31, 2009**

	<u>General Fund</u>	<u>Adjustments See Reconciliation</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
<b>Cash</b>			
Checking Accounts	\$ 99,949.68		\$ 99,949.68
Treasury Savings Account	28,333.58		28,333.58
Certificates of Deposit	102,500.00		102,500.00
Petty Cash	25.00		25.00
<b>Total Cash</b>	<b>230,808.26</b>		<b>230,808.26</b>
Interest Receivable	1,232.00		1,232.00
Other Receivable	355.54		355.54
Due from Other Governments	15,922.00		15,922.00
Capital Assets, Net of Accumulated Depreciation		39,793.51	39,793.51
<b>Total Assets</b>	<b>\$ 248,317.80</b>	<b>\$ 39,793.51</b>	<b>\$ 288,111.31</b>
<b>Liabilities</b>			
Sales Tax Payable	\$ 1,050.52		\$ 1,050.52
Deferred Revenue	46,123.97		46,123.97
Compensated Absences		12,398.70	12,398.70
<b>Total Liabilities</b>	<b>47,174.49</b>	<b>12,398.70</b>	<b>59,573.19</b>
<b>Fund Balance</b>			
Designated for Purchases	28,000.00	(28,000.00)	-
Designated for Employee Compensation	37,000.00	(37,000.00)	-
Designated for Cost-Share Projects	20,000.00	(20,000.00)	-
Undesignated	173,143.31	(173,143.31)	-
	<b>\$ 258,143.31</b>	<b>\$ (258,143.31)</b>	<b>\$ -</b>
<b>Net Assets</b>			
Invested in Capital Assets		39,793.51	39,793.51
Unrestricted		188,744.61	188,744.61
		<b>\$ 228,538.12</b>	<b>\$ 228,538.12</b>

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
December 31, 2009

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 201,143.31</b>
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds' balance sheet.	39,793.51
Compensated absences are not due and payable in the current period and are not reported in the general funds.	<u>(12,398.70)</u>
<b>Net Assets of Governmental Funds</b>	<b><u><u>\$ 228,538.12</u></u></b>

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Activities and Governmental Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended December 31, 2009**

	General Fund	Adjustments See Reconciliation	Statement of Activities
<b>Revenues</b>			
Intergovernmental			
County	\$ 73,350.00	\$ -	\$ 73,350.00
State Grant	134,712.57		134,712.57
Federal Grant	7,280.00		7,280.00
Local	33,000.00		33,000.00
Total Intergovernmental Revenues	<u>248,342.57</u>	<u>-</u>	<u>248,342.57</u>
Charges for Services	<u>33,607.72</u>	<u>-</u>	<u>33,607.72</u>
Miscellaneous			
Interest	2,261.28		2,261.28
Other	10,875.19		10,875.19
Total Miscellaneous	<u>13,136.47</u>	<u>-</u>	<u>13,136.47</u>
Total Revenues	<u>\$ 295,086.76</u>	<u>\$ -</u>	<u>\$ 295,086.76</u>
<b>Expenditures\Expenses</b>			
District Operations			
Personal Services	\$ 136,513.95	\$ 3,505.28	\$ 140,019.23
Other Services and Charges	36,965.96		36,965.96
Supplies	1,087.18		1,087.18
Capital Outlay	10,881.05	(10,881.05)	0.00
Depreciation		10,387.68	10,387.68
Total District Operations	<u>185,448.14</u>	<u>3,011.91</u>	<u>188,460.05</u>
Project Expenditures\Expenses			
District	32,980.62	\$ -	32,980.62
State	67,131.62		67,131.62
Total Project Expenditures\Expenses	<u>100,112.24</u>	<u>-</u>	<u>100,112.24</u>
Total Expenditures\Expenses	<u>\$ 285,560.38</u>	<u>\$ 3,011.91</u>	<u>\$ 288,572.29</u>
Excess of Revenues Over(Under) Expenditures\Expenses	<u>\$ 9,526.38</u>	<u>\$ (3,011.91)</u>	<u>\$ 6,514.47</u>
Fund Balance\Net Assets - January 1	<u>\$ 191,616.93</u>	<u>\$ 30,406.72</u>	<u>\$ 222,023.65</u>
Fund Balance\Net Assets - December 31	<u>\$ 201,143.31</u>	<u>\$ 27,394.81</u>	<u>\$ 228,538.12</u>

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2009

<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 9,526.38</b>
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	10,881.05
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(10,387.68)
Changes in compensated absences are also reflected in the government-wide statement of activities.	<u>(3,505.28)</u>
<b>Changes in Net Assets of Governmental Activities</b>	<b><u><u>\$ 6,514.47</u></u></b>

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Financial Reporting Entity**

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

The District is not considered a part of Nobles 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.

**B. Basis of Accounting**

**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 governmental activities, which normally are supported by taxes and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classify as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the corporation.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**C. Use of Estimates**

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

**D. Budget**

The District adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

**E. Cash Equivalents**

Nobles Soil and Water Conservation District recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

Nobles Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

**G. 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.

Due from Other Governments includes amounts for shared projects and grants.

Capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. Capital assets are still valued at historical or estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Nobles Soil and Water Conservation District has set the capitalization threshold at \$500.

**2. Liabilities**

Current liabilities include Accounts Payable, Accrued Payroll and Related Taxes, Sales Tax Payable, Deposits on Sale, Compensated Absences, and Deferred Revenue.

**3. Equity**

**Government-wide Statements**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

H. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditures are incurred. The District also receives an annual appropriation from the county, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period. The District does not directly levy taxes of any type and thus has no revenues from non-exchange transactions that required to be reported under GASB Statement No. 33.

b. Other Revenue

Investment income (reported as Miscellaneous Revenue) and revenue from the sale of trees (reported as Charges for Services) are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

b. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 500 hours. Upon termination from the District, employees are paid accrued vacation leave.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**II. DETAILED NOTES**

**A. Capital Assets**

Changes in Capital Assets:

	<u>Buildings</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
Primary Government				
Balance, December 31, 2008	\$ 12,975.00	\$ 30,635.20	\$ 49,945.73	\$ 93,555.93
Increases	-	10,881.05	-	10,881.05
Decreases	-	-	-	-
Balance, December 31, 2009	<u>12,975.00</u>	<u>41,516.25</u>	<u>49,945.73</u>	<u>104,436.98</u>
Accumulated Depreciation				
Balance, December 31, 2008	12,975.00	11,728.97	29,551.83	54,255.80
Increases	-	4,697.50	5,690.17	10,387.67
Decreases	-	-	-	-
Balance, December 31, 2009	<u>12,975.00</u>	<u>16,426.47</u>	<u>35,242.00</u>	<u>64,643.47</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 25,089.78</u>	<u>\$ 14,703.73</u>	<u>\$ 39,793.51</u>

**B. Deferred Revenue**

Deferred revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Nobles County for various programs. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2009, consists of the following:

Regular/Special State Cost-Share	<u>\$46,123.97</u>
Total	<u>\$46,123.97</u>

**C. Compensated Absences**

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

Balance - January 1, 2009	\$ 8,893.42
Net change in compensated absences	<u>3,505.28</u>
Balance - December 31, 2009	<u>\$12,398.70</u>

There were no compensated absences payable to terminated employees as of December 31, 2009. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**D. Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. At December 31, 2009, District's deposits totaled \$240,433.50 of which \$137,933.50 was cash deposits and \$102,500.00 was invested in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institutions banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better, irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2009.

Covered Deposits	<u>Book Balance</u>	<u>Bank Balance</u>
Insured or collateralized with securities held by the District or its agents in the District's name	<u>\$ 230,783.26</u>	<u>\$ 243,524.35</u>

**Investments**

The board may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Agency rated "A" or better; bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The board does not have any investments policies that would further limit investment choices.

The Board does not carry any investments on its financial statements as of December 31, 2009.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**III. PENSION PLANS**

Plan Description

All full-time and certain part-time employees of the Nobles Soil and Water Conservation District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF, which is a cost sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basis Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate 2.7 percent of average salary for Basis Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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 plan equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2009. The Nobles Soil and Water Conservation District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members 6.75% for Coordinated Plan PERF members. The employer contribution rate for the Coordinated Plan will increase to 7.0% effective January 1, 2010. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$6,614.89, \$5,809.86, and \$4,913.42, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

**IV. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Insurance Trust. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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 increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

**V. OPERATING LEASE**

The District leases office space on a yearly basis. Under the current agreement, total costs for 2009 were \$12,221.00. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended December 31, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental				
County	\$ 63,350.00	\$ 73,350.00	\$ 73,350.00	\$ -
State Grant	61,966.00	70,646.00	134,712.57	64,066.57
Federal Grant	7,000.00	8,360.00	7,280.00	(1,080.00)
Local	23,000.00	33,000.00	33,000.00	0.00
Total Intergovernmental Revenues	<u>155,316.00</u>	<u>185,356.00</u>	<u>248,342.57</u>	<u>62,986.57</u>
Charges for Services	<u>20,100.00</u>	<u>31,500.00</u>	<u>33,607.72</u>	<u>2,107.72</u>
Miscellaneous				
Interest	6,000.00	1,500.00	2,261.28	761.28
Other	1,500.00	1,500.00	10,875.19	9,375.19
Total Miscellaneous	<u>7,500.00</u>	<u>3,000.00</u>	<u>13,136.47</u>	<u>10,136.47</u>
Total Revenues	<u>\$ 182,916.00</u>	<u>\$ 219,856.00</u>	<u>\$ 295,086.76</u>	<u>\$ 75,230.76</u>
<b>Expenditures</b>				
District Operations				
Personal Services	\$ 124,712.89	\$ 133,276.64	\$ 136,513.95	\$ (3,237.31)
Other Services and Charges	38,800.00	37,800.00	36,965.96	834.04
Supplies	1,070.11	1,000.00	1,087.18	(87.18)
Capital Outlay	2,000.00	2,900.00	10,881.05	(7,981.05)
Total District Operations	<u>166,583.00</u>	<u>174,976.64</u>	<u>185,448.14</u>	<u>(10,471.50)</u>
Project Expenditures				
District	14,850.00	23,425.00	32,980.62	(9,555.62)
State	26,483.00	27,130.00	67,131.62	(40,001.62)
Total Project Expenditures	<u>41,333.00</u>	<u>50,555.00</u>	<u>100,112.24</u>	<u>(49,557.24)</u>
Total Expenditures	<u>\$ 207,916.00</u>	<u>\$ 225,531.64</u>	<u>\$ 285,560.38</u>	<u>\$ (60,028.74)</u>
Excess of Revenues Over(Under) Expenditures	<u>\$ (25,000.00)</u>	<u>\$ (5,675.64)</u>	<u>\$ 9,526.38</u>	<u>\$ 15,202.02</u>
Fund Balance - January 1	<u>\$ 191,616.93</u>	<u>\$ 191,616.93</u>	<u>\$ 191,616.93</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 166,616.93</u>	<u>\$ 185,941.29</u>	<u>\$ 201,143.31</u>	<u>\$ 15,202.02</u>

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009**

Basis of Presentation

The budgetary comparison schedule has been prepared on the accrual basis of accounting.

Budgetary Legal Requirements

Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is used during the fiscal year as a tool to monitor actual income and expenditures.

The budget is adopted through the passage of a resolution by the board of trustees. Any revision that alters the total expenditures of any fund must be approved by the board of trustees. Appropriations lapse at the end of each year.

**RICHARD W. HOLMBERG, LTD**  
**Certified Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Nobles Soil and Water Conservation District  
1567 McMillan Street Suite 3  
Worthington, MN 56187

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2009, which collectively comprise the District's financial statements and have issued our report dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Nobles Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nobles Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nobles Soil and Water Conservation District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material deficiency is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify as deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nobles Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Richard W. Holmberg, Ltd.  
Certified Public Accountant

October 20, 2010

**RICHARD W. HOLMBERG, LTD**  
**Certified Public Accountant**

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Nobles Soil and Water Conservation District  
1567 McMillan Street Suite 3  
Worthington, MN 56187

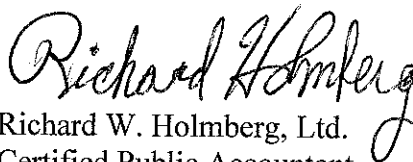
We have audited the accompanying financial statements of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2009 and have issued our report thereon dated October 20, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories except public indebtedness which does not apply to the District.

The results of our tests indicate that for the items tested, the Nobles Soil and Water Conservation District complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the Nobles Soil and Water Conservation District had not complied with such legal provisions.

This report is intended for the information of the District and management, and is not intended to be, and should not be, used by anyone other than the specified parties.

  
Richard W. Holmberg, Ltd.  
Certified Public Accountant

October 20, 2010