

MORRISON SOIL AND WATER CONSERVATION DISTRICT  
LITTLE FALLS, 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	\$762,935		\$762,935
Accounts receivable	0		0
Due from other governments	0		0
Prepaid items	668		668
Capital Assets:			
Equipment (net of accumulated depreciation)		22,093	22,093
<b>Total Assets</b>	<b>\$763,603</b>	<b>\$22,093</b>	<b>\$785,696</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$6,840		\$6,840
Salaries payable	5,829		5,829
Deferred revenue	489,027		489,027
Long-term liabilities:			0
Due within one year	15,433	0	15,433
Due after one year		13,662	13,662
<b>Total Liabilities</b>	<b>\$517,128</b>	<b>\$13,662</b>	<b>\$530,790</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$668	(\$668)	\$0
Unreserved			
Designated for future projects	0	0	0
Undesignated	245,807	(245,807)	0
<b>Total Fund Balance</b>	<b>\$246,475</b>	<b>(\$246,475)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$22,093	\$22,093
Unrestricted		232,813	232,813
<b>Total Net Assets</b>		<b>\$254,906</b>	<b>\$254,906</b>

Notes are an integral part of the basic financial statements.

MORRISON SOIL AND WATER CONSERVATION DISTRICT  
LITTLE FALLS, 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	\$239,908	\$0	\$239,908
Charges for services	146,202	0	146,202
Investment earnings	8,167	0	8,167
Miscellaneous	12,327	0	12,327
<b>Total Revenues</b>	<b><u>\$406,604</u></b>	<b><u>\$0</u></b>	<b><u>\$406,604</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$428,631	\$4,921	\$433,553
Capital outlay	3,151	(3,151)	0
<b>Total Expenditures/Expenses</b>	<b><u>\$431,782</u></b>	<b><u>\$1,771</u></b>	<b><u>\$433,553</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>(\$25,178)</b>	<b>(\$1,771)</b>	<b>(\$26,949)</b>
<b>Fund Balance/Net Assets January 1</b>	<b>271,653</b>	<b>10,202</b>	<b>281,855</b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$246,475</u></u></b>	<b><u><u>\$8,431</u></u></b>	<b><u><u>\$254,906</u></u></b>

Notes are an integral part of the basic financial statements.

MORRISON SOIL AND WATER CONSERVATION DISTRICT  
LITTLE FALLS, MINNESOTA

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

	<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	\$140,951	\$140,951	\$141,800	\$849
Local	0	0	383	383
Federal	0	0	0	0
State grant	49,362	49,362	97,724	48,362
<b>Total intergovernmental</b>	<b>\$190,313</b>	<b>\$190,313</b>	<b>\$239,908</b>	<b>\$49,595</b>
<b>Charges for services</b>	<b>\$175,050</b>	<b>\$175,050</b>	<b>\$146,202</b>	<b>(\$28,848)</b>
<b>Miscellaneous</b>				
Interest earnings	\$8,000	\$8,000	\$8,167	\$167
Other	3,500	3,500	12,327	8,827
<b>Total miscellaneous</b>	<b>\$11,500</b>	<b>\$11,500</b>	<b>\$20,494</b>	<b>\$8,994</b>
<b>Total Revenues</b>	<b>\$376,863</b>	<b>\$376,863</b>	<b>\$406,604</b>	<b>\$29,741</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$282,728	\$282,728	\$280,255	\$2,473
Other services and charges	36,045	36,045	27,881	8,164
Supplies	2,500	2,500	1,651	849
Capital outlay	2,500	2,500	3,151	(651)
<b>Total district operations</b>	<b>\$323,773</b>	<b>\$323,773</b>	<b>\$312,938</b>	<b>\$10,836</b>
<b>Project expenditures</b>				
District	\$91,000	\$91,000	\$62,391	\$28,609
State	96,000	96,000	56,454	39,546
<b>Total project expenditures</b>	<b>\$187,000</b>	<b>\$187,000</b>	<b>\$118,844</b>	<b>\$68,156</b>
<b>Total Expenditures</b>	<b>\$510,773</b>	<b>\$510,773</b>	<b>\$431,782</b>	<b>\$78,991</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(\$133,910)</b>	<b>(\$133,910)</b>	<b>(\$25,178)</b>	<b>\$108,732</b>
<b>Fund Balance - January 1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$271,653</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>(\$133,910)</b>	<b>(\$133,910)</b>	<b>\$246,475</b>	<b>\$108,732</b>

Notes are an integral part of the basic financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## December 31, 2010

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Morrison 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 conditions 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 Morrison 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 Morrison 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 Morrison 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

B. Basis of Presentation – Fund Accounting (Continued)

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.

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 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

C. Government – Wide Financial Statements (Continued)

Fund Financial Statements (continued)

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 revenues are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are cost 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.

E. Assets, Liabilities, and Equity Accounts (Continued)

3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Reserved fund balance indicated 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 reported in Note IV.

2. Long – Term Liabilities

In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect to the total of Compensated Absences 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 14 hours per month. Sick leave accrual is 12 – 18 days per year. The limit on the accumulation of annual leave is 140 hours and the limit on sick leave is 600 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to \$1,000 of

G. Vacation and Sick Leave (Continued)

accrued sick leave, depending upon years of service. On termination of employment by illness or death, employees are paid accrued vacation and up to \$1000 of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit – N/A

B. Excess of Expenditures Over Budget – N/A

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 \$761,934.68, of which \$252,093.21 were cash deposits and \$510,841.47 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	\$24,128
Additions	\$3,151
Deletions	\$0
2010 Depreciation	\$5,188
Balance December 31, 2010	\$18,941

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$46,564 as of December 31, 2010.

The District uses a threshold of \$50 for capitalizing assets purchased. Those physical assets under \$50 are expenses directly and not capitalized.



## V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Morrison 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 \$489,026.76.

### VI – A. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2010	\$13,928.39
Net Changes in Compensated Absences	(\$266.57)
Balance December 31, 2010	\$13,661.82

### 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. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

## 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. 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 included 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.

A. 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 9.10% and 6.0%, respectively, of their annual covered salary in 2008. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2010, 2009, and 2008 were \$15,300, \$13,895, \$11,314 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 \$9,145.

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

The Morrison Soil and Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended 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).

### **FINANCIAL HIGHLIGHTS**

The assets of the Morrison Soil and Water Conservation District exceeded its liabilities at the close of the most recent calendar year by \$246,475. Of this amount \$668 is reserved for prepaid items and the remaining balance of \$245,807 is considered unreserved, undesignated fund balance.

At the end of the year the total net assets of \$254,906 was considered unrestricted and will be spent according to board discretion.

### **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 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. 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. Morrison Soil and Water Conservation District has elected to present in this format.

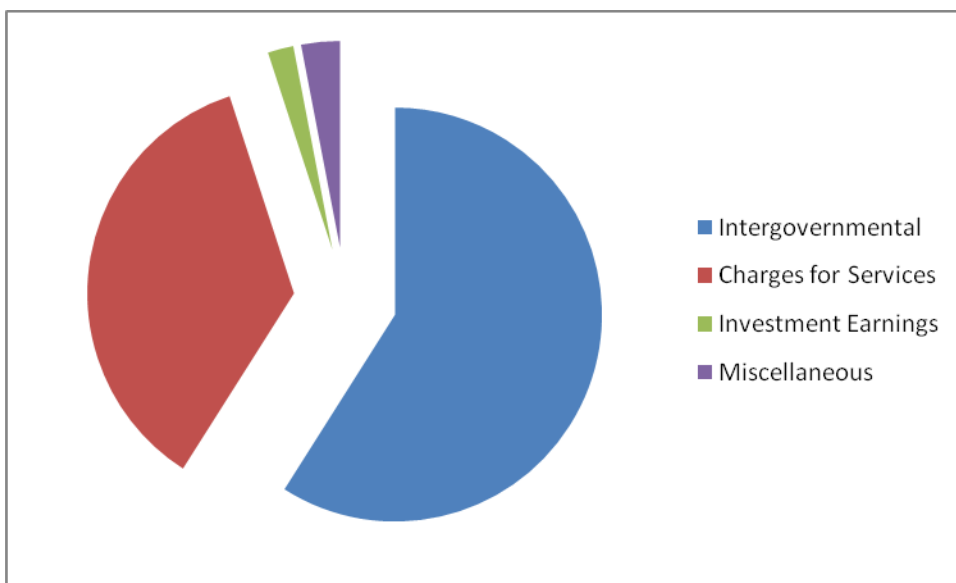
### **The Statement of Net Assets and the Statement of Activities**

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. You will need to consider other factors, however, such as changes in Morrison County’s property tax base, the overall financial health of Morrison County residents, and the overall state budget set by the Minnesota Legislator, to assess the overall health of the SWCD.

In the Statement of Net Assets and the Statement of Activities, the SWCD presents Governmental activities. All of the SWCD’s basic services are reported here. Most of the Intergovernmental Revenue incurred by the SWCD was in the form of Clean Water Legacy Funds for Feedlot Water Quality projects. For the most part the SWCD has now had to rely on charges for basic services to cover the expenses that the county or state can no longer cover.



## Reporting the SWCD’s General Fund

### Fund Financial Statements

The fund financial statements begin on page 1 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 changed, decreasing from \$281,852 to \$254,906. Looking at the net assets and net expenses of governmental and business-type activities separately, however, the trend that started at the end of last year was still going through all of 2010. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental and business-type activities.

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

	Governmental Activities	
	2009	2010
Current and other assets	\$ 501,168	\$ 762,603
Capital assets	\$ 24,128	\$ 22,093
Total assets	<b>\$ 525,296</b>	<b>\$ 785,696</b>
Long-term debt outstanding	\$ 13,928	\$ 13,662
Other liabilities	\$ 229,516	\$ 517,128
Total liabilities	<b>\$ 243,444</b>	<b>\$ 530,790</b>
Net assets		
Invested in capital assets, net of debt	\$ 24,128	\$ 22,093
Restricted		
Unrestricted	\$ 257,724	\$ 232,813
Total net assets	<b>\$ 281,852</b>	<b>\$ 254,906</b>

Net assets of the SWCD governmental activities decreased by 10 percent (\$254,906 compared to \$281,852). 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 \$257,724 surplus at December 31, 2009 to a \$232,813 surplus at the end of this year.

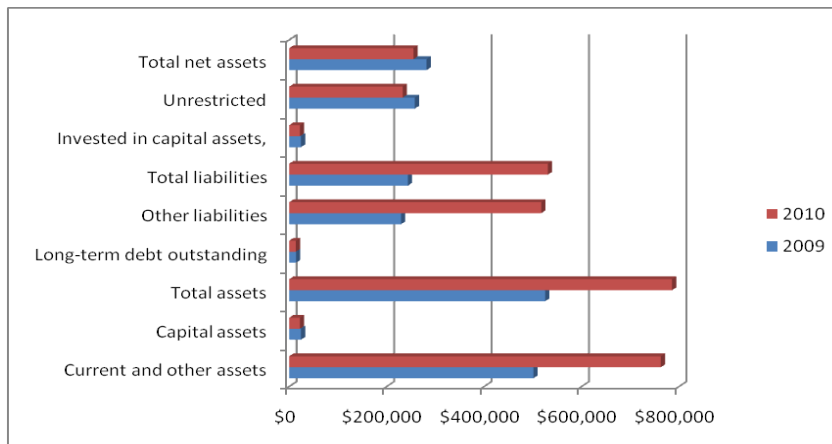


TABLE 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 233,938	\$ 146,202
Federal grants	\$ 4,329	\$ 0
State grants and County revenue	\$ 211,996	\$ 239,908
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Miscellaneous revenues	\$ 15,679	\$ 20,494
Total revenues	<b>\$ 465,942</b>	<b>\$ 406,604</b>
<b>Program expenses</b>		
General government		
Conservation	\$ 450,522	\$ 431,782
Total expenses	<b>\$ 450,522</b>	<b>\$ 431,782</b>
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
<b>Increase (decrease) in net assets</b>	\$ 15,420	(\$25,178)

The SWCD's total revenues (excluding special items) decreased by 13 percent (\$59,338). The total cost of all programs and services also decreased by \$18,740, or more or less than 4 percent. The SWCD did not earn as much income in 2010 due to the lack of revenue taken in for permitting fees for administering the Wetland Conservation Act and the 2010 tree sales were down by about \$14,000 from 2009.

The SWCD is also the lead agency for the ACUB (Army Compatible Use Buffer). The SWCD will receive 3.75% technical assistance for each completed easement. This amounted to about \$84,375 worth of revenue recognized by the SWCD. This amount is hard to budget due to the timeframe involved with seeing an easement through to completion. The SWCD is projecting that even with the economic down turn this program could potentially see some funding cuts and will hopefully continue providing the SWCD with a major source of revenue in the next year.

### **Governmental Activities**

Revenues for the SWCD governmental activities decreased by \$59,338, while total expenses also decreased by \$18,740. With the decrease in funding from both the County and the State, the SWCD noted a decrease in net assets for governmental activities of \$26,946 in 2010. This is a definite reversal from 2009 with the SWCD noticed an increase in net assets.

The cost of all governmental activities this year was \$431,782 compared to \$450,522 last year. However, as shown in the Statement of Activities on page 2, the amount that our taxpayers ultimately financed for these activities through the SWCD was only \$146,202 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions (\$239,908). Overall, the SWCD’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2010 from \$450,260 to \$386,110, principally based on a decrease in aid from the County and the BWSR. The SWCD paid for the remaining “public benefit” portion of governmental activities with other revenues, such as interest, miscellaneous forms of revenue, and a small portion of its undesignated fund balance.

Table 3 presents the cost of each of the SWCD’s five largest programs—General Cost Share, Feedlot Water Quality Grants, Wetland Conservation Act, ACUB and the Tree Program—as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the SWCD by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Conservation	\$447,276	\$428,631	\$456,535	\$433,553
All others	\$ 3,246	\$ 3,151	\$ 0	\$ 0
<b>Totals</b>	<b><u>\$450,522</u></b>	<b><u>\$431,782</u></b>	<b><u>\$456,535</u></b>	<b><u>\$433,553</u></b>

**THE SWCD’s FUNDS**

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 1) reported a combined fund balance of \$246,475 which is below last year’s total of \$271,652. Included in this year’s total change in fund balance, however, is a decrease of \$15,420 in the SWCD’s General Fund. The primary reasons for the General Fund’s decrease are due in large part to the decrease in county and state funding combined with an increase in everyday operating costs.

**General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were \$78,991 below the final budget amounts. The most significant negative variance (\$39,546) occurred in the SWCD’s Project Expenditures - State, where dollars were budgeted far below the actual amount spent. This is due in large part to

multiple animal waste project that was not completed by the end of 2010 but are projected to be finished by the 2011.

The SWCD was able to provide funding and technical assistance to landowners who had problem animal feedlots. There were two contracts completed in all which did not exceed the expectations of the SWCD.

On the other hand, resources available for appropriation were \$29,741 above the final budgeted amount. Six of the Clean Water Legacy -Feedlot Water Quality Management Grant applications were funded with new funds and two were paid using existing funds in the SWCD coffers, which also increased grant rollover resources available for appropriation to other landowners.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2010, the SWCD had \$22,093 invested in a broad range of capital assets, including vehicles, computer technology and office improvements (See Table 4 below.). This amount represents a net decrease (including additions and deductions) of \$2,035 over last year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, in Thousands)**

	<u>Governmental</u> <u>Activities</u>	
	<u>2009</u>	<u>2010</u>
Land	\$ 0	\$ 0
Buildings and improvements	0	0
Equipment	<u>24,128</u>	<u>22,093</u>
	<u>\$ 24,128</u>	<u>\$22,093</u>

This year's major additions include:

The SWCD purchased new office furniture for two workstations.

The SWCD's fiscal-year 2011 capital budget calls for it to spend \$2,500 for capital projects. More detailed information about the SWCD's capital assets is presented in Note IV to the financial statements.

### **Long-Term Liabilities**



Obligations include accrued vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in Note VI to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The SWCD's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, state aid, county aid, and fees that will be charged for the business-type activities. The SWCD will also be watching the budget closely due to the state of the current economy to determine if changes will need to be made. The SWCD has been notified that the Wetland Conservation Act and the Local Water Plan funding will be experiencing some cuts through the Natural Resources Block Grant. Those amounts have been noted in the 2011 budget. The SWCD is also expecting to receive over \$40,500 in ACUB T&A for work that was completed 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 Morrison Soil and Water Conservation District at 16776 Heron Rd, Little Falls, MN 56345.