

RENVILLE SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2011

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JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Renville Soil and Water Conservation District
Olivia, Minnesota

I have audited the accompanying financial statements of the governmental activities and the General fund of the Renville Soil and Water Conservation District, Olivia, Minnesota as of and for the year ended December 31, 2011 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. My responsibility is to express opinions on these financial statements based on the audit.

I conducted the 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. Those standards require that I 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 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General fund of the Renville Soil and Water Conservation District, Olivia, Minnesota as of December 31, 2011, and the results of operations and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements for 2011, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The management's discussion and analysis information is not a required part of the basic financial statements but it is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 15, 2012 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



JAMES MAUSER

Certified Public Accountant and Consultant

September 15, 2012
Waconia, Minnesota

**Management Discussion and Analysis
Renville Soil & Water Conservation District
1008 West Lincoln
Olivia MN 56277**

For the Fiscal Year Ending December 31, 2011

The information in this report is designed to focus on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the Renville Soil & Water Conservation District's (SWCD) financial statements. The Renville SWCD discussion and analysis provides an overview of the Soil & Water Conservation District's activities for the fiscal year ended December 31, 2011.

Financial Highlights:

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.

The SWCD has minimal capital assets and many of them are fully depreciated.

There was a significant increase in both revenues and expenses beginning in 2010 and continuing into 2011. This is due to staff commitment to secure cost-share and incentive opportunities for landowners and the willingness of SWCD staff and board to actively pursue grants and other funding activities. Most of the new sources of revenue are "pass through" money with the SWCD acting as fiscal agent to receive funds from State sources and provide the landowner payments for either cost-share practices or incentives. Technical and administrative funding is scarce under any of these programs and funding from the State for traditional SWCD programs has decreased with budget deficits.

The 2010 agreement between Renville County and the SWCD for feedlot inspections was reworked and the funding formula changed. That formula continued with the agreement signed for the period January 1, 2011 – December 31, 2011. The reworking of the formula included an increase in Renville County General Fund allocation. That allocation was increased in 2011 and is reflected in the 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 activities of the SWCD as a whole and present a longer-term view of the Renville Soil & Water Conservation District's (SWCD) 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 Soil & Water Conservation Districts most significant funds. Since SWCDs are single-purpose special purpose governments, they are generally able to

combine the government-wide and fund financial statements into single presentations. Renville Soil & 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 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 accounting, which is similar to the accounting used by 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 net assets and changes in them. You can think of the SWCD net assets – the difference between assets and liabilities – as one way to measure the SWCD financial health, or financial position. Over time, increases or decreases in the SWCD 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 the SWCD basic services are reported here. Appropriations from Renville County and the State of Minnesota fund most activities. The remainder of revenue is from federal contribution agreements, outside grants and miscellaneous income from interest and other sources.

Reporting the Renville SWCD’s General Fund

Fund Financial Statements

An analysis of the SWCD general fund is attached. 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 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.

Renville SWCD as a Whole:

The District’s combined net assets increased by 6.4% from 2010. Nearly all of the liabilities are deferred revenue. The vast majority of Current Assets is cash and Certificates of Deposit. Our

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

Net Assets

	Governmental Activities	
	2010	2011
Current Assets	\$527,951	\$383,190
Capital Assets, net of depreciation	<u>\$ 24,677</u>	<u>\$ 19,487</u>
Total Assets	\$552,628	\$402,677
Current liabilities	\$285,600	\$120,496
Long term liabilities	<u>\$ 27,355</u>	<u>\$ 27,140</u>
Total Liabilities	\$312,955	\$147,636
Total Net Assets	\$239,673	\$255,041

Current Assets include cash in checking and savings accounts and money invested in Certificates of Deposit. Also included is money due to the SWCD from other governments. These are mainly in the form of reimbursements for work completed but not paid for on various grant programs.

Deferred Revenue is money received by the SWCD for specific projects or expenses but not spent in 2011. Those funds are "deferred" to 2012 to be used for the projects or purpose required.

Long Term Liabilities represent the amount of money the SWCD would owe its employees if it was to cease operations on December 31, 2011. According to the Renville SWCD Personnel Policies, employees are entitled to payment of all of their accrued annual leave and half of their accrued sick leave at the time of retirement or termination. The \$27,140 represents that amount.

Table: Changes in Net Assets

Revenues	2010	2011	Change
Governmental Revenue			
County	\$127,398	\$133,560	\$ 6,162
State	\$513,179	\$353,671	\$(159,508)
Other Governments	\$ 8,712	\$ 8,965	\$ 253
Charges for Services	\$ 2,240	\$ 8,576	\$ 6,336
Miscellaneous			
Interest	\$ 4,255	\$ 4,024	\$ (231)
Other	<u>\$ 20,470</u>	<u>\$ 24,360</u>	<u>\$ 3,890</u>
Total Revenues	\$676,254	\$533,156	\$(143,098)
Expenses			
Conservation	<u>\$679,036</u>	<u>\$517,788</u>	<u>\$(161,248)</u>
Total Expenditures	\$679,036	\$517,788	\$(161,248)

Both revenues and expenses are significantly higher than the original budget adopted by the Board of Supervisors. The increase in both revenues & expenditures can be partially attributed to payments made to landowners who completed projects funded with the State of Minnesota Native Buffer Cost-Share Program, the Feedlot Water Quality Management Grant Program and by incentive payments labeled “market rate adjustment” made to landowners using DNR Working Lands Initiative funds. Some of the grant funds were receipted in 2010 and then deferred to 2011. A total of \$120,496 is being deferred to 2012 in the various cost-share programs including State Cost-Share, and Native Buffer Cost-Share. During 2011, all the Feedlot Water Quality Management Grant funds were paid to landowners for completed projects and the grants were closed out. The funds paid out in the Project Expenses category are direct cost-share or incentive payments to landowners for projects completed on their property.

Personnel costs remained constant as did most operating expenses for the SWCD. The fact that SWCD expenses exceeded budgeted amounts can mostly be attributed to pass-through funds associated with the cost-share programs listed above. In addition, the SWCD acts as fiscal agent for an easement program funded through the State of Minnesota Environment and Natural Resources Trust Fund. In that role, legal fees for title work are paid by Renville SWCD and later the SWCD is reimbursed from the grant funds.

Capital Assets - At the end of 2011 the Renville SWCD had \$19,487 invested in equipment, vehicles and one building. Original cost of equipment was \$54,714 with accumulated depreciation of \$35,227. Much of the Renville SWCD equipment is fully depreciated.

Economic Factors affecting the 2012 Budget

The Renville SWCD elected Board of Supervisors, along with the staff, considered many factors when setting the 2012 budget. Funding from State and County government is at best uncertain with the State of Minnesota revenues still recovering from the recent economic downturn. Completing the 2012 budget was less complicated than the 2011 budget as the State of Minnesota is currently in a two year budget cycle which was approved by the 2011 legislature. Funding from the traditional state programs remained fairly constant. However, adequate funding for projects, programs and administration is increasingly dependent on competitive grants. The Renville SWCD staff and Board of Supervisors continue to pursue all available areas of funding and are willing to partner with other agencies and governments to provide services that will also improve funding for the SWCD.

In 2006 the Renville SWCD partnered with Redwood SWCD to write a grant to fund easements in the Minnesota River Valley. The grant was approved by the Legislative Citizens Commission on Minnesota Resources (LCCMR) and funded through the Environment and Natural Resources Trust Fund (ENRTF) by the 2007 legislature in the amount of \$563,000 for easements, restoration and administration. That grant was completed on schedule with all funds spent before the June 30, 2009 deadline. In 2008, Renville SWCD partnered with Redwood, Yellow Medicine, Chippewa and Lac qui Parle SWCD offices to request additional funds from the ENRTF to protect additional acres. That grant was funded at \$1.5 million by the Minnesota Legislature with funds available July 1, 2009. An extension to that grant was requested and approved in the summer of 2011. There are currently two easements in the final stages of processing with completion anticipated before the June 30, 2012 amended deadline.

Administrative funding from the ENRTF Grant was included in the 2010 & 2011 budgets. Payments to landowners are paid directly from the State of Minnesota and therefore are not included in the budget. An additional \$1.8 million was funded and the funds were made available July 1, 2010. All of the funded easements have been recorded and landowners paid. With the completion of restoration and enhancement work on some sites in the spring of 2012, the grant will be completed by the deadline of June 30, 2012. The SWCD acts as program manager and as such receives and disburses administrative funding as well as some reimbursable legal expenses associated with easement processing and is responsible for all reporting to the LCCMR.

In November of 2008 Minnesota voters approved a Constitutional Amendment which will increase the sales tax by 3/8 of 1% with funds dedicated to the environment and natural resources. The SWCD has been working to actively pursue any funds available through the amendment money. The Board & Staff did not include any competitive grant funds in the 2012 budget but continue to make applications for amendment funding through the BWSR and DNR by both writing grants and by actively working the programs that have been developed through this funding source (i.e. the Buffer Easement Program described below).

In 2010 the SWCD received \$54,000 for administration of the 27 applications funded through the State of Minnesota RIM Buffer Easement program. The second round of funding was completed in 2011. To date administrative funding for those easements has not been paid to local SWCD offices. Renville SWCD anticipates being paid \$8,000 in 2012 for processing 4 easements from that program. Staff recently submitted an RFP to the BWSR for 3 priority areas in Renville County for the Buffer Easement Program. If that RFP is funded, Renville County landowners will be able to submit applications for easements and the SWCD will receive administrative funds for easement processing. The 2012 budget does not include any income from this source as the amount will not be known until the RFP is reviewed and funded.

Contacting the Renville Soil & Water Conservation District

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the SWCD's finances and to show the Renville Soil & Water Conservation Districts accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Renville SWCD at 1008 West Lincoln Avenue, Olivia MN 56277. The phone number is 320-523-1559. The Office Manager's email address is karen.flom@mn.nacdnet.net

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
OLIVIA, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2011

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 356,204	\$ -	\$ 356,204
Accounts Receivable	1,181	-	1,181
Due From Other Governments	25,805	-	25,805
Capital Assets:			
Equipment (net of accumulated depreciation)	-	19,487	19,487
Total Assets	<u>\$ 383,190</u>	<u>\$ 19,487</u>	<u>\$ 402,677</u>
<u>Liabilities</u>			
Current liabilities:			
Deferred Revenue	\$ 120,496	\$ -	\$ 120,496
Long-term liabilities:			
Due after one year	-	27,140	27,140
Total Liabilities	<u>\$ 120,496</u>	<u>\$ 27,140</u>	<u>\$ 147,636</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Assigned	\$ 43,000	\$ (43,000)	\$ -
Unassigned, Future Projects	219,694	(219,694)	-
Total Fund Balance	<u>\$ 262,694</u>	<u>\$ (262,694)</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 19,487	\$ 19,487
Unrestricted		235,554	235,554
Total Net Assets		<u>\$ 255,041</u>	<u>\$ 255,041</u>

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
OLIVIA, MINNESOTA

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

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 459,136	\$ -	\$ 459,136
Charges for services	8,576	-	8,576
Investment earnings	4,024	-	4,024
Miscellaneous	61,420	-	61,420
Total Revenues	<u>\$ 533,156</u>	<u>\$ -</u>	<u>\$ 533,156</u>
Expenditures/Expenses			
Conservation			
Current	\$ 512,813	\$ 4,975	\$ 517,788
Capital outlay	-	-	-
Total Expenditures/Expenses	<u>\$ 512,813</u>	<u>\$ 4,975</u>	<u>\$ 517,788</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 20,343</u>	<u>\$ (4,975)</u>	<u>\$ 15,368</u>
Fund Balance/Net Assets January 1	<u>\$ 242,351</u>	<u>\$ (2,678)</u>	<u>\$ 239,673</u>
Fund Balance/Net Assets December 31	<u><u>\$ 262,694</u></u>	<u><u>\$ (7,653)</u></u>	<u><u>\$ 255,041</u></u>

Notes are an integral part of the basic financial statements.

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
OLIVIA, MINNESOTA

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

	Orinnal/Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues			
Intergovernmental			
Local	\$ 500	\$ 1,215	\$ 715
County	130,213	133,560	3,347
State Grant	106,745	353,671	246,926
Federal	5,000	7,750	2,750
Total intergovernmental	<u>\$ 242,458</u>	<u>\$ 496,196</u>	<u>\$ 253,738</u>
Charges for services	<u>\$ 5,018</u>	<u>\$ 8,576</u>	<u>\$ 3,558</u>
Miscellaneous			
Interest earnings	\$ 5,000	\$ 4,024	\$ (976)
Other	1,000	24,360	23,360
Total miscellaneous	<u>\$ 6,000</u>	<u>\$ 28,384</u>	<u>\$ 22,384</u>
Total Revenues	<u>\$ 253,476</u>	<u>\$ 533,156</u>	<u>\$ 279,680</u>
Expenditures			
District operations			
Personnel services	\$ 215,750	\$ 214,547	\$ 1,203
Other services and charges	26,700	71,684	(44,984)
Supplies	1,000	895	105
Capital outlay	-	-	-
Total district operations	<u>\$ 243,450</u>	<u>\$ 287,126</u>	<u>\$ (43,676)</u>
Project expenditures			
District	\$ -	\$ 4,783	\$ (4,783)
State	10,026	220,904	(210,878)
Total project expenditures	<u>\$ 10,026</u>	<u>\$ 225,687</u>	<u>\$ (215,661)</u>
Total Expenditures	<u>\$ 253,476</u>	<u>\$ 512,813</u>	<u>\$ (259,337)</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ -</u>	<u>\$ 20,343</u>	<u>\$ 20,343</u>
Fund Balance - January 1	<u>\$ 242,351</u>	<u>\$ 242,351</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 242,351</u></u>	<u><u>\$ 262,694</u></u>	<u><u>\$ 20,343</u></u>

Notes are an integral part of the basic financial statements.

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Renville 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.

Financial Reporting Entity

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

The District is not considered a part of Renville County because, even though the County provides a significant amount of the District's revenues 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.

Government-Wide Financial Statements

The government-wide financial statements (ie., the Statement of Net Assets and The Statement of Activities) report information on all of 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 revenues 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.

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

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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. The District also receives an annual appropriation from the County, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

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

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.

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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Equity Accounts

Assets

Investments are stated at fair value, except for non-negotiable certificates of deposits, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

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 Assets.

Classification of Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified in the following categories:

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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

Restricted net assets – the amount of net assets 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 assets – the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Classification of Fund Balances

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* in 2011.

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 governmental funds. The classifications are as follows:

Nonspendable – the nonspendable 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 Board. Those committed amounts cannot be used for any other purpose unless the Board 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 but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the District Administrator who has been delegated that authority by Board 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 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 the Capital Assets Note.

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Long-Term Liabilities: In the Statement of Net Assets and Government 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.

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 4 to 9 hours per biweekly pay period. Sick leave accrual is 96 hours per year. The limit on the accumulation of annual leave is 160 hours and the limit on sick leave is 1,000 hours. Upon termination of employment from the district, employees are paid accumulated annual leave and up to one half of accrued sick leave.

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; worker's 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.

	Beginning	Addition	Deletion	Ending
Equipment	\$54,714	\$ 0	\$ 0	\$54,714
Less: Accumulated Depreciation	<u>30,037</u>	5,190	0	<u>35,227</u>
Net Capital Assets	<u>\$24,677</u>			<u>\$19,487</u>

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 are Machinery and equipment 5 to 10 years. Current year depreciation is \$5,190.

The district uses the threshold of \$500 for capitalizing assets purchased.

Deferred Revenue

Deferred 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. Deferred revenue for the year ended December 31, 2011, consists of the following: BWSR Service Grant, \$28,933; BWSR Cost Share Programs \$60,167; County WCA Funds, \$992; County Water Plan Funds, \$1,367; TSA Funds, \$3,777; Hawk Creek Project, \$7,161; SMBSC, \$17,265; Local Education Funds, \$834; Total, \$120,496.

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2011 are:

Balance January 1, 2011	\$27,355
Net Change in Compensated Absences	<u>(215)</u>
Balance December 31, 2011	<u>\$27,140</u>

Deposits

Minn. Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all district deposits be protected 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 institution's 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 of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

At December 31, 2011, the District's deposits totaled \$356,204, of which \$24,676 were cash deposits and \$331,528 was invested in bank certificate of deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2011, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans – Statewide

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. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.25% of their annual covered salary. The District is required to contribute 7.25% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$9,950, \$9,607, and \$9,052 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

RENVILLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Note 4 - Stewardship, Compliance, and Accountability

Excess of expenditures over budget - The general fund had expenditures in excess of budget for the year as follows: Expenditures \$512,813; Budget \$253,476; Excess \$259,337.

Note 5 – Due From Other Governments

Represents reimbursement due from the State of Minnesota for grant funds expended and services provided.

Note 6 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement, total costs for 2011 were \$6,356.

Note 7– Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$ 242,351
Plus: Excess of Revenue Over Expenditures	<u>20,343</u>
Governmental Fund Balance, December 31	<u>\$ 262,694</u>
Adjustments from Fund Balance to Net Assets:	
Plus: Capital Assets	\$ 19,487
Less: Long Term Liabilities	<u>(27,140)</u>
Net Assets	<u>\$ 255,041</u>

Note 8 – Reconciliation of Change in Fund Balance to Change in Net Assets

Change in fund balance	\$20,343
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	
	(5,190)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	
	<u>215</u>
Net change in net assets	<u>\$15,368</u>

JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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REPORT ON LEGAL COMPLIANCE

Board of Supervisors
Renville Soil and Water Conservation District
Olivia, Minnesota

I have audited the accompanying financial statements of the governmental activities, and the General fund of the Renville Soil and Water Conservation District, Olivia, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued my report thereon dated September 15, 2012.

My audit was made in accordance with auditing standards generally accepted in the United States of America and provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as I considered necessary in the circumstances.

The Legal Compliance Audit Guide for Political Subdivisions covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. My study included all of the listed categories except public indebtedness. The public indebtedness category was not tested because the District is not allowed to issue debt.

The results of my test indicate that for the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the District, Board of Water and Soil Resources, State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



JAMES MAISER
Certified Public Accountant and Consultant

September 15, 2012
Waconia, Minnesota

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

Board of Supervisors
Renville Soil and Water Conservation District
Olivia, Minnesota

I have audited the financial statements of the governmental activities, and the General fund of the Renville Soil and Water Conservation District as of and for the year ended December 31, 2011, and have issued my report thereon dated September 15, 2012. I conducted my 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

In planning and performing my audit of the financial statements of the governmental activities, and the General fund of the Renville Soil and Water Conservation District, Olivia, Minnesota as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the 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 weakness* 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Renville Soil and Water Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 management and others within the organization and the Board of Supervisors, Board of Water and Soil Resources, State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



JAMES MAISER

Certified Public Accountant and Consultant

September 15, 2012
Waconia, Minnesota