

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

**Lyon Soil & Water Conservation District ~ Board of Supervisors ~ 2009**

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Steve Prairie, Secretary/Treasurer  
Otto Nyquist, Public Relations & Information  
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**LYON SOIL AND WATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2009**

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**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

This section of the annual financial report of the Lyon Soil and Water Conservation District presents the Management Discussion and Analysis. The 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 the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The District's net assets on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance decreased due to the revenues ending less than anticipated in the budget ~ Interest was less than even the amended budget allowed for but the biggest reduction was in anticipated administrative grants from the state. This was due to the reduction in funds allocation by the state to our agencies. The increase in costs for rent was due to the USDA requiring that the SWCD enter into leases with the building owner. This increased the rent costs as explained in the notes to the financial statements. We also had unemployment compensation that was paid after the termination of a contract with another SWCD for an education coordinator. While our termination of the contract initially did not trigger these benefits, when the SWCD we had contracted with reduced the hours offered to the staff person, we were liable for part of the unemployment benefits due to the months the coordinator was employed by our SWCD.

**USING THIS ANNUAL REPORT**

This annual report consists of three main topics:

- 1) Management's Discussion and Analysis (MDA);
  - 2) Basic Financial Statements;
  - 3) Required supplementary information
- The Basic financial statements include a series of financial statements.
  - The Statement of Net Assets and the Statement of Activities provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances.
  - Fund financial statements 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 presentation. The SWCD has elected to present in this format.

## **LYON SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the differences in these two statements. The Statement of Net Assets under the "Adjustments" column shows the differences in the two statements.
- Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found with-in this report

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

The analysis of the Lyon Soil and Water Conservation District begins with the Statement of Net Assets and the Statement of Activities page 8. One of the most important questions asked about the District's finances is, "Is the District 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 District 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 District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of the District.

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

### **FUND FINANCIAL STATEMENTS**

The Lyon Soil and Water Conservation District presents only a general fund, which is a governmental fund. All of the District'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 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 District'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 District's programs.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Activities and the Statement of Net Assets) and governmental funds through the Reconciliation's of these statements. The former and basic governmental financial reports can be found as attachments also.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to the Financial Statement**

The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

These notes provide information such as:

- 1) Summary of significant accounting policies;
- 2) Stewardship, compliance and accountability;
- 3) Deposits and Investments;
- 4) Changes in General Fixed Assets;
- 5) Deferred Revenue;
- 6) Compensated Absences Payable;
- 7) Risk Management;
- 8) Pension Plan; and
- 9) Operating Leases.

*The Notes to the Financial Statement are an important part of this report and should be referred to for explanation of the financial statements.*

**Statement of Net Assets**

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

**Table 1**

Statement of Net Assets	Governmental Activities	
	<u>Dec 31, 2009</u>	<u>Dec. 31, 2008</u>
Current Assets	\$179,018.47	\$125,944.09
Capital Assets Net of Depreciation	<u>\$ 1,629.59</u>	<u>\$ 3,323.46</u>
<b>Total Assets</b>	<b>\$180,648.06</b>	<b>\$129,267.55</b>
<i>Current and Other Liabilities</i>	<u><i>\$160,229.51</i></u>	<u><i>\$80,503.54</i></u>
Net Assets:		
Invested in Capital Assets	\$ 1,629.59	\$ 3,323.46
Restricted/Designated	\$21,576.00	\$ 21,576.00
Unrestricted/Undesignated	<u>\$ 4,667.25</u>	<u>\$ 30,333.36</u>
Total Net Assets	<u><b>\$20,418.55</b></u>	<u><b>\$48,764.03</b></u>
<b>Total liabilities and Net Assets</b>	<b>\$180,648.06</b>	<b>\$129,267.54</b>

The total assets of the District's governmental activities decreased by \$25,666.11 from one year ago. Under the Net Assets, the Restricted/Designated funds are designated for certain programs specified by the State and/or District. Unrestricted/Undesignated net assets are 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.

**GOVERNMENTAL ACTIVITIES**

Table 2 reflects changes in Governmental activities of the District. It also reflects some of the actual District’s Charges for Services - District program changes from 2008 to 2009.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Table 2**

Changes in Net Assets

	Governmental Activities	
	<u>Dec 31, 2009</u>	<u>Dec. 31, 2008</u>
<b>Revenues</b>		
County - General Admin Grant	\$ 85,000.00	\$ 85,000.00
Wetland Conservation Act Admin	\$ 10,000.00	\$ 10,000.00
State - Cost Share and Administrative	\$ 81,691.87	\$ 180,228.04
Federal	\$ -0-	\$ -0-
Interest Earnings	\$ 1,124.89	\$ 3,231.44
Other	\$ 8,830.16	\$ 13,281.79
Charges for Services – Tree/matting Sales	<u>\$ 26,773.11</u>	<u>\$ 36,881.76</u>
<b>Total Revenues</b>	<b><u>\$ 213,420.03</u></b>	<b><u>\$328,622.39</u></b>
<b>Expenditures</b>		
Charges for Services – Tree/Matting	\$ 13,537.01	\$ 28,043.92
Conservation-All Other but cost share pmts	\$ 169,663.74	\$ 200,579.61
State Cost Share payments	\$ 55,885.39	\$ 101,142.77
Capital Outlay	\$	\$ 1,241.79
<b>Total Expenditures</b>	<b><u>\$ 239,086.14</u></b>	<b><u>\$331,003.09</u></b>

The Changes in Net Assets for are as follows:

State funds: reflect a difference in revenue due to the increase in cost share funding available through the Clean Water Legacy program and the amount of contracts that were completed in 2009~this is also reflected in the increase in expenditures for cost share projects completed. We also had a reduction in administrative funds due to cuts from the state agencies.

District Expenditures & Revenues: There was a decrease in expenditures from 2008. This was due to the elimination of a shared education position, freeze in salaries for staff, reduction in travel and making the chose not to attend the MASWCD state convention due to lack of funds. We also did not replace any equipment. We had less tree/matting income due to a couple of factors: 1) Landowners were reluctant to commit to additional costs and due to a medical condition of our tree matting staff, we had to contract with private vendor to lay the matting, creating an additional cost for the program.

Charges for Services – Tree program Revenue: There was a significant decrease in the tree program revenue ~ we did not have cost share program payments to use as incentives. Crop prices and land rental rates have increased to the point that landowners are reluctant to take any land out of production. Little snowfall and a warm winter did not prompt landowners to plant trees for road or other protection. We had less tree/matting income due to a couple of factors: 1) Landowners were reluctant to commit to additional costs and due to a medical condition of our tree matting staff, we had to contract with private vendor to lay the matting, creating an additional cost for the program.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**THE DISTRICT’S FUNDS**

As the District completed the year, under the general fund column as presented in the Statement of Net Assets, reported a combined fund balance of \$26,243.25 (includes Designated and Undesignated Fund Balances). This amount plus the Assets net of accumulated depreciation \$1,629.59 and minus the Compensated Absences (\$7,454.29) gives a total of \$20,418.55 under the “Adjustments” column for the Statement of Net Assets. This amount was under last year’s total by \$25,666.11. The reasons for the General Fund’s decrease mirror the Statement of Net Assets under the Fund Financial Statements section as highlighted in the attached report.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$25,666.11 above the final budget amounts. The most significant change occurred in the less cost share contract being completed and paid that expected, greater cost for tree program expenses that anticipated and an increase in rental costs due to the change in lease.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

In 2004, the LYON Soil and Water Conservation District developed the following schedules:

- Guide to Capital Assets
- Schedule of General Capital Assets and Changes

These were part of the compliance by the District to the GASB #34 Accounting changes for the District. These will be maintained and updated as needed. These are available upon request.

The Schedules of General Capital Assets and Changes in General Capital Assets consist of capital assets over the District threshold of \$1,000.00. At the end of 2009, the District had \$21,372.11 invested in capital assets, including vehicles, equipment and furniture and fixtures. There were no capital assets purchased in 2009.

The District Capital assets value of \$ 21,372.11 less accumulated depreciation of \$19,742.52 is reflected in the investment in Capital Assets shown as \$ 1,629.59 at the end of 2009.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Table 3**

Capital Assets at Year-end

(Net of Depreciation)

Assets	Governmental Activities	
	<u>Dec 31, 2009</u>	<u>Dec. 31, 2008</u>
Vehicles and Equipment	\$ 21,372.11	\$ 21,372.11
(Net of Depreciation)	\$ 1,629.59	\$ 3,323.80

## **Liabilities**

Liability obligations include accrued vacation pay for which employees are paid upon termination from the District by retirement, illness or death. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statement under Section I. Summary of Significant Accounting Policies.

The District has designated funds for payment of accrued leave time as well as for the replacement of vehicles and equipment.

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

The District's elected officials considered many factors when setting the fiscal-year budget. Some of the economic factors taken into account for the budget include: sales of trees and tree matting, State funding, Federal Contribution Agreements and the County allocation ~ 2010 Budget planning will be challenging and will reflect reductions in various areas as it is anticipated cuts in funding will happen state and federal programs due to the poor economic forecasts.

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

This financial report designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Lyon Soil and Water Conservation District,  
1424 East College Drive – Suite 600,  
Marshall, MN 56258.  
Phone number: 1-507-537-0396 ext. #3.

**Lyon SOIL AND WATER CONSERVATION DISTRICT**  
 1424 East College Drive ~ Suite 600, Marshall, MN 56258

**STATEMENT OF NET ASSETS AND  
 GOVERNMENTAL FUND BALANCE SHEET  
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<i>General Fund</i>	<i>Adjustments See Notes</i>	<i>Statement of Net Assets</i>
<b><u>Assets</u></b>			
Cash and investments	\$174,954.98		\$174,954.98
Accounts receivable	\$1,517.84		\$1,517.84
Due from other governments	\$0.00		\$0.00
Interest Receivable	\$0.00		\$0.00
Inventory	\$2,545.65		\$2,545.65
Capital Assets:			\$0.00
Equipment (net of accumulated depreciation)		\$1,629.59	\$1,629.59
<b>Total Assets</b>	<b>\$179,018.47</b>	<b>\$1,629.59</b>	<b>\$180,648.06</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts Payable	\$1,614.19		\$1,614.19
Sales Tax Payable	\$2.85		\$2.85
Deposit on Sales	\$1,274.17		\$1,274.17
Deferred revenue	\$149,884.01		\$149,884.01
Long-term liabilities:			\$0.00
Due within one year		\$7,454.29	\$7,454.29
Due after one year			\$0.00
<b>Total Liabilities</b>	<b>\$152,775.22</b>	<b>\$7,454.29</b>	<b>\$160,229.51</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Reserved for prepaid items			
Unreserved	\$0.00		\$0.00
Designated for future projects	\$21,576.00		\$21,576.00
Undesignated	\$4,667.25		\$4,667.25
<b>Total Fund Balance</b>	<b>\$26,243.25</b>	<b>\$0.00</b>	<b>\$26,243.25</b>
Net Assets			
Invested in capital assets		\$1,629.59	\$1,629.59
Unrestricted		\$18,788.96	\$18,788.96
<b>Total Net Assets</b>		<b>\$20,418.55</b>	<b>\$20,418.55</b>

**Lyon SOIL AND WATER CONSERVATION DISTRICT**  
1424 East College Drive ~ Suite 600, Marshall, MN 56258

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Adjustments See Notes	Statement of Net Assets
<b>Revenues</b>			
Intergovernmental			
County	95,000.00		95,000.00
State	81,691.87		81,691.87
Federal	0.00		0.00
Charges for services	26,773.11		26,773.11
Investment earnings	1,124.89		1,124.89
			0.00
Miscellaneous	8,830.16		8,830.16
<b>Total Revenues</b>	<b>213,420.03</b>	<b>0.00</b>	<b>213,420.03</b>
<b>Expenditures</b>			
District Operations:			
Personal Services	122,717.32	985.50	123,702.82
Other Services and Charges	44,346.36		44,346.36
Capital Outlay	0.00		0.00
Depreciation		1,693.87	1,693.87
Supplies & Postage	2,600.06		2,600.06
Total District Operations			0.00
			0.00
Project Expenditures/Expenses			0.00
District	13,140.87		13,140.87
Misc	396.14		396.14
State	55,885.39		55,885.39
Total Project			
<b>Total Expenditures</b>	<b>239,086.14</b>	<b>2,679.37</b>	<b>241,765.51</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>(25,666.11)</b>	<b>(2,679.37)</b>	<b>(28,345.48)</b>
<b>Fund Balance/Net Assets January 1</b>	51,909.36	(3,145.33)	48,764.03
<b>Fund Balance/Net Assets December 31</b>	<b>26,243.25</b>	<b>(5,824.70)</b>	<b>20,418.55</b>

**Lyon SOIL AND WATER CONSERVATION DISTRICT**  
1424 East College Drive ~ Suite 600, Marshall, MN 56258

BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	100,000.00	95,000.00	95,000.00	0.00
Federal	0.00	0.00	0.00	0.00
State	122,000.00	122,480.00	81,691.87	(40,788.13)
<b>Total intergovernmental</b>	<b>222,000.00</b>	<b>217,480.00</b>	<b>176,691.87</b>	<b>(40,788.13)</b>
<b>Charges for services</b>	<b>30,000.00</b>	<b>25,000.00</b>	<b>26,773.11</b>	<b>1,773.11</b>
<b>Miscellaneous</b>				
Interest earnings	3,000.00	1,200.00	1,124.89	(75.11)
Other	5,000.00	7,000.00	8,830.16	1,830.16
<b>Total miscellaneous</b>	<b>8,000.00</b>	<b>8,200.00</b>	<b>9,955.05</b>	<b>1,755.05</b>
<b>Total Revenues</b>	<b>260,000.00</b>	<b>250,680.00</b>	<b>213,420.03</b>	<b>(37,259.97)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personal services	129,450.00	122,480.00	122,717.32	(237.32)
Other services and charges	38,550.00	37,100.00	44,346.36	(7,246.36)
Supplies	2,500.00	2,000.00	2,600.06	(600.06)
Capital outlay	3,000.00	0.00	0.00	0.00
<b>Total district operations</b>	<b>173,500.00</b>	<b>161,580.00</b>	<b>169,663.74</b>	<b>(8,083.74)</b>
<b>Project expenditures</b>				
District	6,000.00	8,800.00	13,140.87	(4,340.87)
Misc	500.00	300.00	396.14	(96.14)
State	80,000.00	80,000.00	55,885.39	24,114.61
<b>Total project expenditures</b>	<b>86,500.00</b>	<b>89,100.00</b>	<b>69,422.40</b>	<b>19,677.60</b>
<b>Total Expenditures</b>	<b>260,000.00</b>	<b>250,680.00</b>	<b>239,086.14</b>	<b>11,593.86</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>(25,666.11)</b>	<b>(25,666.11)</b>
<b>Fund Balance - January 1</b>	<b>51,909.36</b>	<b>51,909.36</b>	<b>51,909.36</b>	<b>51,909.36</b>
<b>Fund Balance - December 31</b>			<b>26,243.25</b>	<b>26,243.25</b>

**BREAKDOWN OF COUNTY REVENUE  
2009**

County Revenues (breakdown):

Annual Allocation .....	\$ 85,000.00
Water Plan Money ....	-0-
Wetland Money.....	\$ 10,000.00
Feedlot Money .....	-0-
Abandoned Well .....	-0-
DNR Shore land .....	-0-
Other .....	<u>-0-</u>

**TOTAL ..... \$ 95,000.00**

**NOTE:** *The total should agree with amount reported as County Revenue in the “Budgetary Comparison Schedule.”*

List other “non-cash” county support (i.e. rent, health insurance, etc) that does not show up anywhere on your annual report.

*Lyon SWCD does not receive any other support from the County.*

**Lyon Soil & Water Conservation  
District  
DEFERRED REVENUE  
BREAKDOWN  
12/31/2009**

Balance of BWSR Service Grants 12/31/09: \$25,083.24

Balance of unencumbered Cost Share:

2009 Regular	\$778.83
2009 BWSR CWL	\$22,226.68
2010 Reg Cost share	<u>\$13,554.00</u>

TOTAL \$36,559.51

2009 Encumbered Reg State C/S:

<u>Contract #</u>	<u>Contract</u>	<u>T&amp;A</u>		
5/09	\$1,950.00	\$487.50		
18/09	\$226.40	\$56.60		
			Total	\$2,720.50

2009 BWSR CWL:

<u>Contract #</u>	<u>Contract</u>	<u>T&amp;A</u>		
1/09YMCWL	\$600.00	\$150.00		
2/09YMCWL	\$6,000.00	\$1,500.00		
5/09YMCWL	\$5,175.00	\$1,293.75		
6/09YMCWL	\$8,250.00	\$2,062.50		
7/09YMCWL	\$12,134.00	\$3,033.50		
8/09YMCWL	\$600.00	\$150.00		
9/09YMCWL	\$2,400.00	\$600.00		
10/09YMCWL	\$25,447.50	\$6,361.88		
11/09YMCWL	\$4,602.00	\$1,150.50		
12/09YMCWL	\$3,208.00	\$802.00		
			TOTAL	\$85,520.63

TOTAL Encumbered \$88,241.13

TOTAL C/S encumbered and unencumbered: \$124,800.64

Total Deferred Revenue \$149,883.88

**LYON SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATIONS FOR THE STATEMENT OF ACTIVITIES AND  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balance – Total Governmental Funds \$ (25,666.11)

Depreciation expenses on capital assets are not reported as an expenditure in  
Governmental funds, Compensated Absences are not considered a current expense. 1,693.87  
The Amount of \$2,679.37 is calculated as: 2009 Depr Expense: \$1,693.87 plus increase in  
Compensated Absence from 2008 of \$985.50. 985.50  
(2,679.37)

Changes in Net Assets of Governmental Activities ..... (\$28,345.48)

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets**

*Total Fund Balance – Total Governmental Funds* \$26,243.25

Amounts reported for governmental activities in the Statement of Net Assets are  
different because, as shown under the “Adjustments” column, the Capital Assets  
are added to the Net Assets, while the Compensated Absences are a liability and  
are therefore subtracted from the Net Assets for the Total Net Assets as follows:  
Capital assets of \$1,629.59 net of accumulated depreciation are not financial  
resources and, therefore, are not reported in the general funds. \$ 1,629.59

Compensated absences are not due and payable in the current period and are not  
reported in the general funds. \$ (7,454.29)

*Net Assets of Governmental Funds* \$20,418.55

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Lyon Soil and Water Conservation District (SWCD) must conform to generally accepted accounting principals. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

**A. Financial Reporting Entity**

The district is organized under the provisions of MN Stat. Chapter 103C and is governed by a Board of Supervisors composed of five members elected by voters of the District 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 Lyon 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 staff and supervisors to follow in order to achieve the District's objectives.

The District is not considered a part of Lyon 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 principals require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principals the District does not have any component units.

**B. Basis of Presentation – Fund Accounting**

The accounts of the Lyon Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

# LYON SOIL AND WATER CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Basis of Presentation – Fund Accounting (Continued)

1. Governmental Funds: General Fund  
The General Fund is used to account for all revenues and expenditures incurred in operating the District.
2. General Fixed Asset 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 leave that has vested or is expected to vest.

#### C. Government-Wide Financial Statements

The government-wide financial statement (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.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditure is 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 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 costs of materials and supplies in District projects.

## **Fund Financial Statements**

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

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

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

Investment earning and revenues from the sale of tree 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 materials and supplies used in District project such as tree planting and matting.

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

### **D. Budget Information**

The District adopts an estimated revenue and expenditure budget for the *General* Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

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

**E. Assets, Liabilities, and Equity Accounts**

**1. Assets**

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

Beginning with the 2004 statement year, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

**2. Liabilities**

Long-term liabilities, such as compensated absences, are accounted for in the General Long Term Debt Account Group.

**3. Equity**

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

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

Unreserved, designated account indicates the portion of fund equity that the District has set aside for planned future expenditures.

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

### **Explanation of Adjustment Column in Statements**

- 1) Capital Assets: In the Statement of Net Assets and Governmental Fund Balance Sheet, and adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount report in **Note IV**.
  
- 2) Long Term liabilities: In the Statement of Net assets and Government Fund Balance Sheet, and adjustment if made to reflect the total of Compensated Absence liability the district has as of the report date. **See Note 1-G**
  
- 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 the notes.

### **F. 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 for full time employees can earn up to 12 days per year accumulated to 30 days maximum. Sick Leave is accrued by full-time employees at a rate of 4 hours per pay period, upon reaching 240 accrued hours; the employee will earn 2 hours per pay period with no maximum. On termination of employment by illness or death, employees are paid their accrued vacation, no sick leave is compensated.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. General Fund Deficit**

N/A

### **B. Excess of Expenditures Over Budget**

During 2009, actual revenues budgeted revenues; *this is explained in the notes to the statement.*

### **C. Uncollateralized deposits**

During 2009, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2009, the District's deposits totaled \$174,954.98, of which \$174,954.98 were cash deposits with no cash invested in certificates of deposits (CD's). Minnesota statutes require that all District deposits be covered by insurance, surety bond or collateral. At December 31, 2009, all the District's deposits were covered by insurance or collateralized with securities held by the District's agent in the District's name.

**IV. CHANGES IN GENERAL FIXED ASSETS**

Although the fixed assets (capital assets) are no longer reported on a gross basis, for insurance purposes, the District uses the following Fixed Asset amount for insurance purposes, which includes the replacement costs of fixed assets, additions and deletions over \$100.00.

Vehicles & Equipment (for insurance purposes):

Balance January 1, 2009	\$ 21,372.11
Additions	\$ -0-
Deletions	<u>\$ -0-</u>
<i>Balance December 31, 2009</i>	<u>\$ 21,372.11</u>

To correspond with the fact that the capital assets are now reported on a net depreciated basis with the District threshold of \$1,000.00 (cost of asset) being depreciated. The District had \$21,372.11 invested in capital assets, including: Vehicles, Equipment and Machinery. The Capital Assets over \$1,000.00 and Net of Depreciation are as follows:

Capital Assets at Year-end (Net of Depreciation)

Assets	Governmental Activities	
	Dec. 31, 2009	Jan. 1, 2009
Vehicles & Equipment	\$ 21,372.11	\$ 21,372.11
Depreciation	<u>(19,742.52)</u>	<u>(18,048.31)</u>
(Net of Depreciation)	\$ 1,629.59	\$ 3,323.80

(Detailed lists and schedules are available at the SWCD office)

**V. DEFERRED REVENUE**

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources for various programs, the largest amount being the State Cost Share program, which provides payments to landowners to assist in the cost of installation of conservation practices. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$149,884.01

# LYON SOIL AND WATER CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### VI COMPENSATED ABSENCES PAYABLE

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

Balance – January 1, 2009	\$6,468.79
Net change in compensated absences	<u>985.50</u>
Balance – December 31, 2009	\$ 7,454.29

### 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, workers' compensation and errors and omissions are insured 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 reductions in insurance from the previous year or settlements 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 Minn. Statute chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, P.O. Box 75608, St. Paul, MN 55175-0608.

#### B. Funding Policy

Plan members are required to contribute 6.00% of their covered salary and the District is required to contribute 6.50%. The contribution requirements of plan members and the District are established by State Statute. The district's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$6,022.83, \$6,202.94 and \$5,462.98, respectively, equal to the contractually required contributions for each year as set by state statute.

### IX. OPERATING LEASES

The District leases office space on a yearly basis. During 2009, the Natural Resources Conservation Service mandated that the Soil & Water Conservation District carry its own lease through the building owner. As the SWCD compensated the USDA after the fact and is billed on a fiscal year, not calendar year, the rent paid for 2009 was over budget for the payments made directly to the landowner for the last quarter of 2009. Under that agreement, total costs for 2009 were \$14,493.75. The amount also includes LAN/WAN services. The amount of \$3,341.39 was paid by the SWCD through the new lease agreement which will be on a calendar year. Total rent paid in 2009 was \$ 17,835.00. In 2010, the SWCD will compensate USDA for LAN/WAN services only.