

MURRAY SOIL AND WATER CONSERVATION DISTRICT

**MURRAY SOIL AND WATER
CONSERVATION DISTRICT**

Annual Financial Report

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

MURRAY SOIL AND WATER CONSERVATION DISTRICT

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MURRAY SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

This section of the annual financial report of the Murray 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, 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the 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 expenditures exceeding the revenues.
- The District's net assets exceeded the liabilities on the Statement of Net Assets and Governmental Fund Balance Sheet partially due to the addition of the Investment in Capital Assets in the statement.
- The Statement of Net Assets and Governmental Fund Balance Sheet reflect Designated Fund Balances for specific designated items deemed by the District.

USING THIS ANNUAL REPORT

This annual report consists of four main topics: 1) Management's Discussion and Analysis (MD&A); 2) Financial Statements; 3) Reconciliation Statements; and 4) Notes to the Financial Statement. Since SWCDs are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Murray SWCD has elected to present in this format. These topics are further explained as follows:

- Management's Discussion and Analysis (MD&A-this section). This section relates mostly to the changes in the District's finances and explains the Governmental Wide-Financial Statements in detail. The MD&A is on pages 3-7;
- Financial Statements – pages 8-10:
 - The Governmental Wide-Financial Statement includes a series of financial statements that provide information about the activities of the District as a whole and present a longer-term view of the District'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; and
 - The Fund Financial Statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Fund financial statements also report the District's operations.
- Reconciliation Statements – pages 13 and 14:
 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements. The Statement of Activities under the "Adjustments" column shows the differences in the two statements; and
 - 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 on pages 12-19.

MURRAY SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

Statement of Net Assets and Statement of Activities

Our analysis of the Murray Soil and Water Conservation District begins with the Statement of Net Assets and the Statement of Activities of which can be found on pages 8 and 10 of this report. 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 Murray 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, which are on pages 13 and 14 (after the Fund Financial Statements). The basic governmental financial reports can be found on pages 8 - 10 of this report.

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 on pages 15-18.

Statement of Net Assets

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

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

DECEMBER 31, 2011

Table 1	Statement of Net Assets	Governmental Activities	
		December 31, 2010	December 31, 2011
	Current Assets	\$ 204,191.00	\$ 208,452.59
	Capital Assets Net of Depreciation	120,432.00	111,721.57
	Total Assets	<u>\$ 324,622.00</u>	<u>\$ 320,174.16</u>
	 Current and Other Liabilities	 86,427.00	 89,253.42
	 Net Assets:		
	Invested in Capital Assets	120,432.00	111,721.57
	Unrestricted	117,764.00	119,199.17
	Total Net Assets	<u>238,195.00</u>	<u>230,920.74</u>
	 Total Liabilities and Net Assets	 <u>\$ 324,622.00</u>	 <u>\$ 320,174.16</u>

The District had more revenue than expenses in 2011. Unrestricted 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 – which was \$117,764.00 in 2010 and \$119,199.17 in 2011, an increase of \$1,435.17.

STATEMENT OF 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 2010 to 2011.

Table 2	Changes in Net Assets	Governmental Activities	
		<u>December 31, 2010</u>	<u>December 31, 2011</u>
	Revenues		
	County	\$ 144,861.00	\$ 155,959.02
	State	469,939.00	51,922.75
	WCA State Grant	10,000.00	8,630.00
	Charges for Services	57,136.00	43,523.36
	Interest Earnings	1,177.00	700.50
	Other	5,884.00	3,427.04
	Prepaid Rent	-	-
	Total Revenues	<u>688,997.00</u>	<u>264,162.67</u>
	 Expenses		
	Conservation-All Other	221,846.00	197,147.90
	Depreciation	24,966.00	26,878.85
	Other Services & chgs	458,096.00	39,539.83
	Projects - State	18,740.00	7,871.00
	Total Expenses	<u>\$ 723,648.00</u>	<u>\$ 271,437.58</u>

MURRAY SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The State funds reflect funds received for General Services, RIM, and State Cost-Share program. The District's revenues for Charges for Services decreased from \$57,136.00 in 2010 to \$43,523.36 in 2011.

THE DISTRICT'S FUNDS

As the District completed the year, under the general fund column as presented in the Statement of Net Assets on page 8, reported a combined fund balance of \$154,323.58 (includes Designated and Undesignated Fund Balances). This amount plus the net of accumulated depreciation (\$111,721.57) and minus the Compensated Absences (\$35,124.41) gives a total of \$230,920.74 under the "Adjustments" column for the Statement of Net Assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not adjust the budget.

CAPITAL ASSETS

The District uses a threshold of \$1,000.00 for its asset capitalization policy. At the end of 2011, the District had \$250,501.77 invested in a broad range of capital assets, including Vehicles, Buildings, Equipment and Machinery (see Table 3). This amount represents a net increase of total capital assets (including additions and deductions) of \$12,963.75.

Table 3 Capital Assets at Year-end
(Net of Depreciation)

Assets	Governmental Activities	
	December 31, 2010	December 31, 2011
Equipment/Machinery	\$ 187,578.02	\$ 200,541.77
Buildings	49,960.00	49,960.00
Total Assets	<u>237,538.02</u>	<u>250,501.77</u>
Net of Depreciation	<u>\$ 120,431.69</u>	<u>\$ 111,721.58</u>

This

year's major additions included: Purchases-2011 Landoll Packer Model 3130

The District's fiscal-year 2011 capital budget has designated funds of \$5,000.00 for capital projects.

LONG-TERM LIABILITIES

Long-term 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- F. Vacation and Sick Leave on page 15; and under II.C. Compensated Absences Payable on page 16.

**MURRAY SOIL AND WATER CONSERVATION DISTRICT
MURRAY SOIL AND WATER CONSERVATION DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials considered many factors when setting the fiscal-year 2011 budget. Some of the economic factors taken into account for the 2011 budget include: sales of trees and tree matting, State funding and the County allocation. Expense factors include building expenses and employee salary increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report designed to provide our citizens, taxpayers, customers, and investors and creditors 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 the Murray Soil and Water Conservation District, 2740 22nd St., Slayton, MN 56172 or call 507-836-6990, Ext. 3.

MURRAY SOIL AND WATER CONSERVATION DISTRICT

MURRAY SOIL AND WATER CONSERVATION DISTRICT
SLAYTON, MINNESOTA

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 204,081.59		204,081.59
Accounts receivable	\$ -		-
Due from other governments	\$ 1,941.00		1,941.00
Prepaid items	\$ 2,430.00		2,430.00
Capital Assets:			
Equipment (net of accumulated depreciation)		111,721.57	111,721.57
Total Assets	<u>\$ 208,452.59</u>	<u>111,721.57</u>	<u>320,174.16</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 2,613.43		2,613.43
Salaries payable			-
Sales Tax payable	\$ 0.83		0.83
Deferred revenue	\$ 51,514.75		51,514.75
Long-term liabilities:			
Due within one year		-	-
Due after one year		35,124.41	35,124.41
Total Liabilities	<u>\$ 54,129.01</u>	<u>35,124.41</u>	<u>89,253.42</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$ 2,430.00	(2,430.00)	-
Unrestricted			
Committed or Assigned	\$ -	-	-
Unassigned	\$ 151,893.58	(151,893.58)	-
Total Fund Balance	<u>\$ 154,323.58</u>	<u>(154,323.58)</u>	<u>-</u>
Net Assets			
Invested in capital assets		111,721.57	111,721.57
Unassigned		119,199.17	119,199.17
Total Net Assets		<u>230,920.74</u>	<u>230,920.74</u>

Notes are an integral part of the basic financial statements.

MURRAY SOIL AND WATER CONSERVATION DISTRICT

MURRAY SOIL AND WATER CONSERVATION DISTRICT

SLAYTON, MINNESOTA

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

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	216,511.77	-	216,511.77
Charges for services	43,523.36	-	43,523.36
Investment earnings	700.50	-	700.50
Miscellaneous	3,427.04	-	3,427.04
Total Revenues	264,162.67	-	264,162.67
Expenditures/Expenses			
Conservation			
Current	245,370.24	26,067.34	271,437.58
Capital outlay	18,168.75	(18,168.75)	-
Total Expenditures/Expenses	263,538.99	7,898.59	271,437.58
Excess of Revenues Over (Under)			
Expenditures/Expenses	623.68	(7,898.59)	(7,274.91)
Fund Balance/Net Assets January 1	153,699.90	84,495.75	238,195.65
Fund Balance/Net Assets December 31	154,323.58	76,597.16	230,920.74

Notes are an integral part of the basic financial statements.

MURRAY SOIL AND WATER CONSERVATION DISTRICT

MURRAY SOIL AND WATER CONSERVATION DISTRICT
SLAYTON, MINNESOTA

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	168,194.04	168,194.04	155,959.02	(12,235.02)
Local		-	-	-
Federal	-	-	-	-
State grant	52,152.12	52,152.12	60,552.75	8,400.63
Total intergovernmental	220,346.16	220,346.16	216,511.77	(3,834.39)
Charges for services	45,500.00	45,500.00	43,523.36	(1,976.64)
Miscellaneous				
Interest earnings	1,000.08	1,000.08	700.50	(299.58)
Other	5,500.08	5,500.08	3,427.04	(2,073.04)
Total miscellaneous	6,500.16	6,500.16	4,127.54	(2,372.62)
Total Revenues	272,346.32	272,346.32	264,162.67	(8,183.65)
Expenditures				
District operations				
Personnel services	203,564.36	203,564.36	197,959.42	5,604.94
Other services and charges	25,000.00	25,000.00	19,758.72	5,241.28
Supplies	7,000.00	7,000.00	257.88	6,742.12
Capital outlay	8,431.20	8,431.20	18,168.75	(9,737.55)
Total district operations	243,995.56	243,995.56	236,144.77	7,850.79
Project expenditures				
District	13,000.00	13,000.00	19,523.22	(6,523.22)
State	-	-	7,871.00	(7,871.00)
Total project expenditures	13,000.00	13,000.00	27,394.22	(14,394.22)
Total Expenditures	256,995.56	256,995.56	263,538.99	(6,543.43)
Excess of Revenues Over (Under)				
Expenditures	15,350.76	15,350.76	623.68	(14,727.08)
Fund Balance - January 1	-	-	153,699.90	-
Fund Balance - December 31	15,350.76	15,350.76	154,323.58	(14,727.08)

Notes are an integral part of the basic financial statements.

MURRAY SOIL AND WATER CONSERVATION DISTRICT

BREAKDOWN OF COUNTY REVENUE

2011

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION \$ 147,329.02

WATER PLAN MONEY \$ _____

WETLAND MONEY \$ 8,630.00

FEEDLOT MONEY \$ _____

ABANDONED WELL \$ _____

DNR SHORELAND \$ _____

OTHER (specify) \$ _____

TOTAL \$ 155,959.02

MURRAY SOIL AND WATER CONSERVATION DISTRICT

MURRAY SOIL AND WATER CONSERVATION DISTRICT	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2011	
Net Change in Fund Balance - Total Governmental Funds	\$ 623.68
Governmental funds report capital outlay as expenditures. However, in the government wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	18,168.75
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental	(26,878.85)
Compensated Absences are also reflected in the government-wide statement of activities. In 2011, the compensated absences decreased by \$811.52 from 2010.	811.52
Changes in Net Assets of Governmental Activities	\$ (7,274.91)

MURRAY SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets		
December 31, 2011		
Total Fund Balance - Total Governmental Funds	\$	154,323.58
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund		111,721.57
Compensated absences are not due and payable in the current period and are not reported in the general funds.		(35,124.41)
Net Assets of Governmental Funds	\$	230,920.74

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Murray Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

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

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

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

A. Financial Reporting Entity

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

The District is not considered a part of Murray County because, even though the county provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

B. Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all governmental activities, which normally are supported by intergovernmental revenues.

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

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

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

Fund Financial Statements

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

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

C. Use of Estimates

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

D. Budget

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

E. Cash Equivalents

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

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

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

G. Assets, Liabilities, and Equity Accounts

1. Assets

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

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

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

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

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

The Murray Soil and Water Conservation District has set the capitalization threshold at \$1,000.

2. Liabilities

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

3. Equity

Government-wide Statements

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

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

Fund Financial Statements

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

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

H. Revenues and Expenses

1. Revenues

a. Intergovernmental

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

b. Other Revenue

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

2. Expenses

a. Project Expenses

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

b. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 384 hours and the limit on sick leave is 960 hours. Upon termination from the District by retirement, illness or death, employees are paid 100% of accrued vacation leave and 60% of accrued sick leave.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Capital Assets

Changes in Capital Assets:

	Buildings	Machinery & Equipment	Vehicles	Totals
Primary Government				
Balance, December 31, 2010	\$ 49,960.00	\$ 187,578.02	\$ -	\$ 237,538.02
Increases	-	18,168.75	-	18,168.75
Decreases	-	(5,205.00)	-	(5,205.00)
Balance, December 31, 2011	<u>49,960.00</u>	<u>200,541.77</u>	<u>-</u>	<u>250,501.77</u>
Accumulated Depreciation				
Balance, December 31, 2010	1,873.44	115,232.90	-	117,106.34
Increases	624.48	26,254.37	-	26,878.85
Decreases	-	(5,205.00)	-	(5,205.00)
Balance, December 31, 2011	<u>2,497.92</u>	<u>136,282.27</u>	<u>-</u>	<u>138,780.19</u>
Capital Assets, Net	<u>\$ 47,462.08</u>	<u>\$ 64,259.50</u>	<u>\$ -</u>	<u>\$ 111,721.58</u>

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

B. Deferred Revenue

Deferred revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Murray County for various programs. Revenues will be recognized when the related program expenses are recorded. Deferred revenue for the year ended December 31, 2011, consists of the following:

Regular/Special State Cost-Share		\$ 30,889.75		
Cost-Share Flood Relief		20,625.00		
Total		\$ 51,514.75		

C. Compensated Absences

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

Balance - January 1, 2011	\$ 35,935.93
Net change in compensated absences	<u>(811.52)</u>
 Balance - December 31, 2011	 <u><u>\$ 35,124.41</u></u>

There were no compensated absences payable to terminated employees as of December 31, 2011. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

D. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorizes 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, 2011, District's deposits totaled \$204,081.59, all of which were cash deposits. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. All deposits are in category 1, low risk type investments.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2011.

Covered Deposits	<u>Book Balance</u>	<u>Bank Balance</u>
Insured or collateralized with securities held by the District or its agents in the District's name	<u>\$ 204,081.59</u>	<u>\$ 204,081.59</u>

MURRAY SOIL AND WATER CONSERVATION DISTRICT

E. Investments

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

The District does not carry any investments on its financial statements as of December 31, 2011.

III. PENSION PLANS

Plan Description

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

PERF members belong to either the Coordinated Plan or the Basis Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF’s Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate 2.7 percent of average salary for Basis Plan members and 1.7 percent for

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010

Coordinated Plan members for each year of service. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 514 St. Peter Street #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plan equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.50%, respectively, of their annual covered salary. The Murray Soil and Water Conservation District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members 6.0% for Coordinated Plan PERF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were 8,029.16, 7,437.16, and \$7,536.95, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

IV. RISK MANAGEMENT

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

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

MURRAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

V. OPERATING LEASE

The District leases office space for \$12,750.00, storage for \$1,500.00, and pays costs on office on monthly basis. Southwest Prairie Joint Powers Organization subleases from the District for \$3,498.75. Under this agreement, the net costs for 2011 were \$10,751.25. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2011

Basis of Presentation

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

Budgetary Legal Requirements

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

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

MURRAY SOIL AND WATER CONSERVATION DISTRICT GUIDE TO CAPITAL ASSETS

Threshold levels for Recording Capital Assets

The Murray SWCD has set the capitalization threshold at \$ 1,000.00

Tracking and Inventory thresholds are listed below in Capitalization Thresholds Table.

Depreciation Method:

The Murray Soil and Water Conservation District will use the straight-line method to calculate the depreciation of the cost of a capital asset over its estimated useful life.

Estimated Useful Life:

The SWCD's capital assets will be depreciated over their estimated useful lives. See table below.

The District does not necessarily own all of the listed capital assets as listed below, but it is the threshold the District will use if/when the items are purchased.

<u>Capital Asset Types</u>	<u>Examples</u>	<u>Tracking and Inventory MCIT Ins. Purposes</u>	<u>Capitalize and Depreciate for Financial Report</u>
Buildings	Tree Storage, Storage, Etc.	\$1.00	30
Buildings Improvement	Tree Storage, Storage	\$1.00	20
Camera	All Cameras	\$100.00	7
Computer Hardware	Monitors, CPU, Printers, Laptops, Projectors	\$100.00	5
Field Equipment	Tree Planter, Tree mat/weed badger, Drill, Level & Tripod	\$100.00	7
Furniture, Office	Desks, Tables, Chairs, File Cabinets, Etc.	\$100.00	7
Land		\$1.00	Not Depreciable
Land Improvement	Betterment of Land, other than building	\$1.00	15
Motor Vehicles	Truck, Van, Car, Etc.	\$100.00	5
Office Machines	<u>Copier</u> Fax Machine, Calculators, Typewriters, etc	\$100.00	7 5
Telephone Equipment		\$100.00	10
Television/VCR		\$100.00	7
Educational Displays	Trunks, Enviroscape	\$100.00	7

MURRAY SOIL AND WATER CONSERVATION DISTRICT

Murray Soil and Water Conservation District												
Schedule of General Fixed Assets and Changes ~ January 1 - December 31, 2011												
Threshold level of \$1,000.00 - Reflects the additions/deletions as indicated on the 2011 Fixed Assets												
Fixed Asset Description	Current Year	Year Acquired	Years in Use	Original Cost on Fixed Asset 1/1/2011	Additions 1/1/2011 to 12/31/2011	Deletions	Original Cost on Fixed Asset 12/31/2011	Yearly Deprec.	Useful Life (yrs)	1/01/2011 Accum. Deprec.	2011 Deprec. Expense	12/31/2011 Accum. Deprec.
LAND: (NOT DEPRECIABLE)												
	2011		N/A				\$0.00	\$0.00	1	\$0.00	\$0.00	\$0.00
TOTAL LAND:	2011			\$0.00	\$0.00		\$0.00	\$0.00	1	\$0.00	\$0.00	\$0.00
BUILDINGS:												
	2011									\$0.00		
60 X 40 Storage Building	2011	2008	4	\$49,960.00		\$0.00	\$49,960.00	\$624.48	20	\$1,873.44	\$624.48	\$2,497.92
TOTAL BUILDINGS:	2011			\$49,960.00	\$0.00	\$0.00	\$49,960.00	\$624.48	1	\$1,873.44	\$624.48	\$2,497.92
VEHICLES:												
	2011											
	2011		0				\$0.00					
TOTAL VEHICLES:	2011			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1	\$0.00	\$0.00	\$0.00
EQUIPMENT/MACHINERY:												
Weed Badger	2011	1990	22	\$5,164.00			\$5,164.00	\$516.40	10	\$5,164.00	\$0.00	\$5,164.00
Tree Planter	2011	1991	21	\$2,956.00			\$2,956.00	\$295.60	10	\$2,956.00	\$0.00	\$2,956.00
8 Swival Tilt Chairs	2011	1995	17	\$1,175.76			\$1,175.76	\$235.15	5	\$1,175.76	\$0.00	\$1,175.76
Tree Fabric Laying Machine	2011	1998	14	\$2,450.00			\$2,450.00	\$245.00	10	\$2,450.00	\$0.00	\$2,450.00
Vicon Seeder	2011	1999	13	\$3,478.42			\$3,478.42	\$347.84	10	\$3,478.42	\$0.00	\$3,478.42
Kewanee Land Packer	2011	1999	13	\$3,750.00		\$3,750.00	\$0.00	\$375.00	10	\$3,750.00	\$0.00	\$0.00
Tree Planter	2011	2001	11	\$6,830.00			\$6,830.00	\$683.00	10	\$6,830.00	\$0.00	\$6,830.00
ATV	2011	2002	10	\$6,176.14			\$6,176.14	\$1,235.23	5	\$6,176.14	\$0.00	\$6,176.14
DCT Trailer	2011	2002	10	\$4,649.75			\$4,649.75	\$464.98	10	\$4,184.78	\$464.98	\$4,649.76
Laptop	2011	2003	9	\$1,615.00			\$1,615.00	\$323.00	5	\$1,615.00	\$0.00	\$1,615.00
Gateway High End Computer	2011	2003	9	\$1,455.00		\$1,455.00	\$0.00	\$291.00	5	\$1,455.00	\$0.00	\$0.00
HP Projector	2011	2004	8	\$1,994.74			\$1,994.74	\$398.95	5	\$1,994.74	\$0.00	\$1,994.74
HP1940 Computer	2011	2005	7	\$1,423.00			\$1,423.00	\$284.60	5	\$1,423.00	\$0.00	\$1,423.00
2005 Bear Utility Trailer	2011	2006	6	\$1,636.88			\$1,636.88	\$233.84	7	\$1,169.20	\$233.84	\$1,403.04
JD 5425 Tractor	2011	2006	6	\$38,490.22			\$38,490.22	\$5,498.60	7	\$27,493.01	\$5,498.60	\$32,991.61
JD 681 Tiller	2011	2006	6	\$3,452.00			\$3,452.00	\$493.14	7	\$2,465.71	\$493.14	\$2,958.85
3 desks & chairs	2011	2007	5	\$5,613.41			\$5,613.41	\$801.92	7	\$2,806.72	\$801.92	\$3,608.64
Mandako Roller	2011	2007	2	\$24,546.12			\$24,546.12	\$3,506.59	7	\$12,273.06	\$3,506.59	\$15,779.65
Tier 2 neon Tower	2011	2008	1	\$3,321.74			\$3,321.74	\$830.44	4	\$2,491.29	\$830.44	\$3,321.73
Great Plains No-Till Drill	2011	2008	1	\$10,000.00			\$10,000.00	\$1,428.57	7	\$4,285.71	\$1,428.57	\$5,714.28
2009 Ford F250 Pickup	2011	2009	1	\$38,513.72			\$38,513.72	\$7,702.74	5	\$15,405.48	\$7,702.74	\$23,108.22
HDW/ Canon Copier IRC3080	2011	2009	1	\$10,443.00			\$10,443.00	\$1,491.86	7	\$2,983.72	\$1,491.86	\$4,475.58
Loader for tractor	2010	2010	1	\$8,443.12			\$8,443.12	\$1,206.16	7	\$1,206.16	\$1,206.16	\$2,412.32
Landoll Packer Model 3130	2011	2011	1		\$18,168.75		\$18,168.75	\$2,595.54	7	\$0.00	\$2,595.54	\$2,595.54
TOTAL EQUIPMENT:	2011			\$187,578.02	\$18,168.75	\$5,205.00	\$200,541.77	\$31,485.14	1	\$115,232.90	\$26,254.37	\$136,282.27
Grand Totals				\$237,538.02	\$18,168.75	\$5,205.00	\$250,501.77	\$32,109.62		\$117,106.34	\$26,878.85	\$138,780.19
										January 1		December 31
										Original Cost of Fixed Assets as of 1/1/2010	\$237,538.02	\$237,538.02
										Additions to fixed assets from 1/1/2011 thru 12/31/2011		\$18,168.75
										Deletions to fixed assets from 1/1/2010 thru 12/31/2011		\$5,205.00
										Accumulated Depreciation	\$117,106.34	\$138,780.19
										Fixed Assets Net of Accumulated Depreciation	\$120,431.68	\$111,721.58
										2011 Depreciation Expense		
										Conservation of resources		\$26,878.85