

SIBLEY SOIL AND WATER CONSERVATION DISTRICT



2009 FINANCIAL REPORT

**SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Sibley Soil and Water Conservation District has elected to present it in this format.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD's net assets and changes in them. You can think of the SWCD's net assets — the difference between assets and liabilities—as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the SWCD.

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

Fund Financial Statements

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's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE SWCD AS A WHOLE

Total assets of the Sibley Soil and Water Conservation District increased from \$209,761 to \$224,786 between December 31, 2008 and December 31, 2009. Net assets of the SWCD (governmental activities decreased) by 7.8 percent (\$98,576 compared to \$106,874). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$22,632 deficit, at December 31, 2008 to a \$8,298 deficit at the end of this year. This deficit in unrestricted governmental net assets does not pose any significant change to the operation of the SWCD. Year-to-year variances in the sale of nursery stock and operating expenses account for these differences.

The SWCD's total revenues (excluding special items) decreased by 14.8 percent (\$265,411 -- \$226,054). The total cost of all programs and services saw moderate change. Changes in revenues result primarily from increases in pass-through funds, increases from tree sales, and variable funding received from the County through a Clean Water Partnership Program. Changes in expenditures were due to increased expense in pass-through dollars.

Governmental Activities

Revenues excluding the sale of trees and other products for the SWCD governmental activities decreased by 9.6 percent (\$21,596), while total SWCD expenses (excluding tree expenses) decreased just over 6 percent (\$13,860). The decrease in District operational expense is minimal and reflects an adherence to budgets set forth for the year. The District activity operational expenses (\$202,981) were 22.3 percent higher than the budgeted allowance (\$157,699).

General Fund Budgetary Highlights

The initial 2009 budget adopted by the supervisors of the Sibley Soil and Water Conservation District was not amended or adjusted over the course of the year, there being adequate resources provided for operations, and expenses were reduced where necessary.

Revenue Budget

Intergovernmental Revenues saw a 10 % decrease in 2009, compared to 2008 (from 224,446 to \$202,850). County appropriations were virtually unchanged from 2007. This decrease can be attributed to fluctuations in pass-through dollars for services performed for a Clean Water Partnership Implementation Project. These pass-through funds are supplied by Sibley County to manage activities related to the implementation of conservation practices that are funded through the State. This funding is a direct reimbursement to the District for services actually performed. The base funding for normal District operations is largely unchanged from 2008, and follows closely with that budgeted for.

Miscellaneous Revenues include sales tax generated from tree sales, interest earned, and income from projects that are beyond the normal workload of the District. An 11% revenue increase (\$15,792) over budget was realized. These revenues are generally in the form of pass-through funding from the Minnesota Pollution Control Agency to fund activities involved with watershed implementation projects. Interest earnings and other miscellaneous income was down slightly from 2008.

Charges for services include deposits for tree orders, tree orders paid in full, and the sale of field marking flags. Projected income from the aforementioned sources, are highly variable from year-to-year due to program availability, weather, and health of the agricultural community. Income from the tree program was \$1,792 more than budgeted for in 2008.

Expense Budget

Total District Operations include personal services, other services and charges, supplies, and capital outlay. Total operational expenses were more than that budgeted for (\$11,715). There was decrease in office supply expense (\$544.00). Fuel costs and lease rates for office space will continue to be a concern for the foreseeable future. There were no capital outlay expenses in 2009, and none budgeted for.

District Project expenses include expenses for plant materials, wages and withholding taxes for seasonal labor, expenses for the development and distribution of District sponsored newsletters, sales tax payable, and other expenses. Total expenses were much greater than budgeted for (\$62,179). Again, this increase results largely from pass-through funds for watershed implementation programs which are reimbursed by the County.

The sale of plant materials requires keeping a tight inventory. The District has developed a spreadsheet to keep a close count of all plant materials ordered. Nurseries that supply plant materials have been flexible, allowing the District to increase its inventories as needed to fulfill customer demand, pending the availability of individual varieties. Costs to develop and distribute a newsletter have increased due to watershed implementation project promotion.

Expense Budget (continued)

State Project expenses include pass-through grants for the cost-sharing of conservation practices. Expenses were less than that budgeted for (\$16,897). The \$11,103 paid was for State Cost-Share projects, associated project slippage, and unspent funds. A backlog of projects still remains, due to the availability of contractors who have themselves been backlogged. The State Project budget will require further adjustments for 2010, to compensate for delayed practice implementation. There remain several State Cost-Share projects that have been encumbered, but have yet to be implemented. Project expense and Technical and Administrative funds will not appear as expenses until these projects reach completion.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, Sibley Soil and Water Conservation District had \$25,818 invested in capital assets, including vehicles, tree planting equipment and office equipment. There were \$4, 577 in deletions in 2009. A breakdown of these assets is found on the statement of "Fixed Inventory Assets". All of these assets are fully depreciated.

Sibley Soil and Water Conservation District does not own any real property.

Long-Term Liabilities

Long –term obligations include accrued annual leave and sick leave. More detailed information about the SWCD's long term liabilities is presented in item VI in the "Notes to the Financial Statements". A breakdown of these liabilities follows:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Wage</u>	<u>Totals</u>
District Manager	240.0 hours	600.0 hours	\$19.51	\$16,388
District Technician	240.0 hours	600.0 hours	\$16.64	\$13,978
Water Manager	188.5 hours	214.5 hours	\$12.76	<u>\$5,142</u>
				\$35,508

The change in long-term liabilities increased by \$2,931 in 2009 (\$32,577 -- \$35,508).

FUTURE OPERATIONS

Sibley Soil and Water Conservation District relies on County, State, and Federal appropriations to carry forward its mission. Un-anticipated funding cuts due to a wavering economic climate, program changes, un-allotments, and/or natural catastrophes are always a possibility. The SWCD is quite aware of these possibilities and has long been conservative with its spending to offset these circumstances.

County appropriations have been consistent for the past several years. The County Board of Supervisors realizes the importance of the SWCD and encourages cooperation with other County departments. The SWCD has excellent working relations with the Sibley County Public Works, Environmental Services, Planning and Zoning, Ag and Ditch, Extension, Auditor, and other departments. Local projects and concerns are addressed more efficiently when local government entities work cooperatively.

State appropriations have been variable throughout the last decade, with un-allotments to Water Management and the Wetland Conservation Act. State Cost-share and General Services grants have remained unchanged in recent years. Consolidation and re-structuring of staff duties have become increasingly necessary to offset these uncertain funding changes. Sibley Soil and Water Conservation District has been fortunate in that it has undertaken watershed studies and implementation projects. Clean Water Partnerships have allowed the District to keep a full-time employee who performs both the duties of Water Manager and some of the Watershed Implementation functions. Without the Watershed Implementation projects, the District would find it difficult to keep a full-time employee hired.

Federal appropriations have been non-existent for quite a few years. With the advent of the Environmental Quality Incentives Program (EQIP), an opportunity exists for the SWCD to enter into cooperative agreements with the Natural Resources Conservation Service to perform some of their duties in return for monies. The Conservation Reserve Program (CRP) also may require the services of District personnel. These services are contracted by individual jobs. Although these dollars are helpful in generating needed revenues, they cannot be relied upon when budgeting for any given year or point in time.

The Sibley Soil and Water Conservation District has offered plant materials to its clients since 1972, for the development and establishment of shelterbelts and wildlife plantings. This has been an important function of SWCD's in Minnesota for quite some time. Revenues from this program have remained relatively consistent for the last several years, and help to promote some of the other programs offered by the District.

Operational expenditures are expected to remain consistent in 2010. Variations in expenses are usually due to the number of State Cost-Share projects completed in any given year. Looking at the "Deferred Revenue Breakdown", Sibley Soil and Water Conservation has a number of projects pending completion. It is hoped that most of them will reach completion in 2010.

SIBLEY SOIL AND WATER CONSERVATION DISTRICT
GAYLORD, MINNESOTA

GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2009

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and investments	\$223,624		\$223,624
Accounts receivable	1,162		1,162
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		0	0
Total Assets	\$224,786	\$0	\$224,786
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$121		\$121
Salaries payable	2,931		2,931
Due to other governments	3,717		3,717
Deferred revenue	77,871		77,871
Performance bond payable	6,062		6,062
Noncurrent liabilities:			0
Due after one year		35,508	35,508
Total Liabilities	\$90,702	\$35,508	\$126,210
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$0	\$0	
Unreserved			
Designated for future projects	0	0	
Undesignated	134,084	(134,084)	
Total Liabilities and Fund Balance	\$224,786		
Net Assets			
Invested in capital assets		\$0	\$0
Unrestricted		98,576	98,576
Total Net Assets		\$98,576	\$98,576
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 134,084
Compensated absences are reported in the Statement of Net Assets but not in the Fund Balance Sheet			(35,508)
			\$ 98,576
Net Assets - Governmental Activities			\$ 98,576

Notes are an integral part of the basic financial statements.

SIBLEY SOIL AND WATER CONSERVATION DISTRICT
GAYLORD, MINNESOTA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2009

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$202,850	\$0	\$202,850
Charges for services	15,792	0	15,792
Investment earnings	3,558	0	3,558
Miscellaneous	3,854	0	3,854
Total Revenues	\$226,054	\$0	\$226,054
Expenditures/Expenses			
Conservation of natural resources			
District operations			
Personal services	169,295	2,931	172,226
Other services and charges	22,024	-	22,024
Supplies	559	0	559
Total district operations	191,878	\$2,931	194,809
Project expenditures			
State	11,103	-	11,103
District	28,440	-	28,440
Total project expenditures	\$ 39,543	\$ -	\$ 39,543
Total Expenditures/Expenses	\$ 231,421	\$ 2,931	\$ 234,352
Net Change in Fund Balance/Net Assets	(\$5,367)	(\$2,931)	(\$8,298)
Fund Balance/Net Assets January 1	139,451	(32,577)	106,874
Fund Balance/Net Assets December 31	\$134,084	(\$35,508)	\$98,576

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

Net Change in Fund Balance	\$ (5,367)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,931)
Change in Net Assets of Governmental Activities	\$ (8,298)

Notes are an integral part of the basic financial statements.

SIBLEY SOIL AND WATER CONSERVATION DISTRICT
GAYLORD, MINNESOTA

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues			
Intergovernmental			
County	\$123,237	\$164,172	\$40,935
Local	0	0	0
Federal	0	0	0
State grant	46,488	38,678	(7,810)
Total intergovernmental	<u>\$169,725</u>	<u>\$202,850</u>	<u>\$33,125</u>
Charges for services	\$14,000	\$15,792	\$1,792
Interest earnings	\$3,600	\$3,557	(\$43)
Other	5,000	3,855	(1,145)
Total Revenues	<u>\$192,325</u>	<u>\$226,054</u>	<u>\$33,729</u>
Expenditures			
District operations			
Personnel services	\$118,287	\$169,295	(\$51,008)
Other services and charges	10,309	22,024	(11,715)
Supplies	1,103	559	544
Capital outlay	0	0	0
Total district operations	<u>\$129,699</u>	<u>\$191,878</u>	<u>(\$62,179)</u>
Project expenditures			
District	\$23,000	28,440	(\$5,440)
State	28,000	11,103	16,897
Total project expenditures	<u>\$51,000</u>	<u>\$39,543</u>	<u>\$11,457</u>
Total Expenditures	<u>\$180,699</u>	<u>\$231,421</u>	<u>(\$50,722)</u>
Net Change in Fund Balance	\$11,626	(\$5,367)	(\$16,993)
Fund Balance - January 1	<u>\$139,451</u>	<u>\$139,451</u>	<u>\$0</u>
Fund Balance - December 31	<u><u>\$151,077</u></u>	<u><u>\$134,084</u></u>	<u><u>(\$16,993)</u></u>

**BREAKDOWN OF COUNTY REVENUE
2009**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$66,423.00
WATER PLAN MONEY	\$47,176.00
WETLAND MONEY	\$45,975.00
FEEDLOT MONEY	\$0.00
ABANDONED WELL	\$0.00
DNR SHORELAND	\$0.00
OTHER (specify)	\$23,891.37
High Island Creek and Rush River Watersheds Implementation Funds	
TOTAL	<u>\$183,465.37</u>

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.

None

DEFERRED REVENUE BREAKDOWN

2009

Balance of BWSR Service Grants:		\$861.89
Balance of <u>unencumbered</u> BWSR Cost-Share Grants:	Current fiscal year	\$0.00
	Previous fiscal year	10,000.00

Balance of encumbered BWSR Cost-Share Grant (list each contract separately):

FY	Contract No.	Contract Amount	T & A Encumbered
2008	FY08-11	\$2,000.00	\$500.00
2008	FY08-18	\$2,000.00	\$500.00
2008	FY08-21	\$400.00	\$100.00
2008	FY08-22	\$400.00	\$100.00
2009	FY09-1	\$1,500.00	\$375.00
2009	FY09-11	\$4,125.00	\$1,031.25
2009	FY09-13	\$400.00	\$100.00
2009	FY09-15	\$400.00	\$100.00
2010	FY10-1	\$3,375.00	\$843.75
2010	FY10-2	\$3,529.80	\$882.45

Total of all Cost-Share Encumbrances	\$22,662.25
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Balance of County WCA Funds:	\$15,325.00
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Balance of County Water Plan Funds:	\$29,021.43
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Balance of other funds being deferred (list if any):

<u>WCA Performance Bond</u>	\$6,062.50
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Subtotal of other funds:	\$6,062.50
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TOTAL OF ALL DEFERRED REVENUE:	\$83,933.07
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The district is organized under the provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

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

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

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

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

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

B. Basis of Presentation - Fund Accounting

The accounts of the Sibley 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.

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

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

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

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

D. Budget Information

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

E. Assets, Liabilities, and Equity Accounts

1. Assets

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

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

2. Liabilities

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

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 appropriate for spending.

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

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

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Assets and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount report in Note IV.

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 4 to 19 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 240 hours and the limit on sick leave is unlimited hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 600 hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 600 hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(Use only notes that are applicable to your district—if one does not apply, type “N/A” in those blanks, except item “C”)

A. General Fund Deficit

At December 31, 2009, the District’s General Fund had a deficit fund balance of \$N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2009, actual expenditures, \$231,421, exceeded budgeted expenditures, \$180,699, by \$50,722.

C. Uncollateralized deposits

During 2009, the District's deposits with financial institutions exceeded at various times insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2009, the District's deposits totaled \$223,623.78, of which \$206,621.67 were cash deposits and \$17,002.11 was invested in certificates of deposit. 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 or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2009	\$30,394.74
Additions	
Deletions	\$4,576.88
2009 depreciation	
Balance December 31, 2009	\$25,817.86

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$25,817.86 as of December 31, 2009.

The District uses a threshold of \$500.00 for capitalizing assets purchased. Those physical assets under \$500.00 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Sibley County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$83,933.07.

VI. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2009	\$32,576.69
Net Changes in Compensated Absences	\$2,931.59
Balance December 31, 2009	\$35,508.28

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

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

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

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that 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.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following

percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$2,434.90, \$2,063.98, and \$1,592.50 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2009 were \$5,772.00.

2009 PROGRAMATIC OVERVIEW

SIBLEY SOIL AND WATER CONSERVATION DISTRICT

2009 Supervisors and Staff

Supervisors

Chairman	Dave Trebelhorn	4th District	18 years
Vice-Chairman	Paul Wiemann	2nd District	1 year
Secretary	Robert Nielsen	5th District	1 year
Treasurer	Tom Pfarr	1st District	3 years
Reporter	Gary Schafer	3rd District	15 years

There were no changes of supervisors in 2009. The board opted to maintain their existing offices.

Staff

District Manager	Loren Evenson	Gibbon	40 years
District Technician	Kevin Pioske	LeSueur	21 years
Water Management Coordinator	Ron Otto	Arlington	3 years
NRCS District Conservationist	April Sullivan	Franklin	new

Changes to the field office staff came about with the retirement of John Dotolo on October 2nd, who had been with the USDA NRCS in Gaylord since 1991. He was replaced by April Sullivan in January 2010. Ms. Sullivan has a farm background and has been with NRCS for ten years. Marie Lynch, hired as a Conservation Technician, serving both the Gaylord and Saint Peter field offices has been re-assigned.

State Cost-Share Program (objectives #1 and #2)

Sibley SWCD only considers high priority projects for cost assistance. The Sibley SWCD provides cost-sharing up to 75% of the total cost of a project; the amount to be determined by the District Board of Supervisors. Cost-Share for the sealing of abandoned wells is set at a rate of 50%, not to exceed \$400.00. The District received \$16,825.00 in State Cost-Share grant funds for fiscal year 2009. The entire amount has been encumbered. Sibley SWCD also received \$8,631.00 for fiscal year 2010. The entire grant has been encumbered.

State Cost-Share Project Completed in 2009

Twelve (12) unused Well Decommissioning

Three (3) Water and Sediment Control Basins; 900 lineal feet, which kept 11 tons of soil, 1 ton of sediment, and 7 pounds of phosphorous out of our waters.

The District also assisted in the design of 1,400 feet of diversion with two grade control structures that were funded through the Rush River Implementation Project.

Education (objective #3)

Sibley SWCD now has its own website. Since going online, it is difficult to determine whether or not its use is making much of an impact. Based on tree orders received using the online version of the order form, the answer would probably be no. Those who used the online form were not agricultural producers, the intended primary audience. The revenues generated from its use do not even scratch the surface of the expenses required for connection. Because the need for a website is mandated, the District has no choice but to remain online, despite the costs. Newsletters and targeted mailings are still generating the most interest for the dollar spent. An annual newsletter was sent to approximately 2500 rural households in 2009.

Educational booths were displayed and manned at the Sibley County Fair, Winthrop Grackle Days, and at "breakfast on the farm" events, usually in conjunction with the watershed projects. District staff also assisted in manning the booth at Farmfest, as it has for many years.

District staff gave a tree planting demonstration to the sixth graders of Sibley East Schools. A tree was given to each student as part of Arbor Day festivities.

Sibley SWCD contributed to the Employees Association of the South Central Area Association of Soil and Water Conservation District. Previously this contribution was targeted to the Envirothon educational day. Now, the employee association will use the monies for educational initiatives within the area.

Steven and Joan Heinz, Henderson, were selected as the "Outstanding Conservation Cooperators" for 2009. Recognition of our landowners for their stewardship is important in that their efforts are noticed by their peers.

There were no coordinated on-farm trials or research efforts between the Minnesota Extension Service and the District in 2009.

Wetland Conservation Act (objective #4)

Wetland project requests were limited to two applications in 2009. Both of these resulted in no-loss decisions. An aerial reconnaissance flight performed by the enforcement arm of the Department of Natural Resources discovered one questionable situation that was thought to be a violation. It was actually a wetland banking project that was under repair. There were no cease and desist orders issued in 2009.

There has been very little interest in wetland banking by private landowners, as compared to just a few years ago.

State of Minnesota Conservation Easement Programs (objectives #5 and #9)

Three applications were received for the Reinvest in Minnesota/Wetland Reserve Program (RIM/WRP). All three, although deemed as very good applications, were not accepted. The applicants have expressed interest in re-submitting an application when new funding is announced.

Three prior enrollments for the RIM/WRP are either in the final stages of acquisition or the early stages of establishment. One prior enrollment was completed.

Surveys and Inventories (objective #6)

A well inventory was performed by our Water Planner for the Minnesota Geological Survey. The inventory will be used in developing the Sibley County Geologic Atlas. Sibley County reimbursed the District for mileage expenses, and the District absorbed the costs for the manpower. This will reduce

the amount the County would have to pay the Geological Survey for doing this work. The Geologic Atlas will be useful for protection of not only the water resources but also for mapping the locations of gravel and other mineral resources.

The Minnesota Department of Natural Resources-Division of Waters installed two observation wells to monitor changes in water quality and quantity of the Mount Simon Aquifer. This information will be useful in guiding land use decisions where water usage is an issue.

Sibley SWCD performs crop equivalency rating calculations for realtors, developers, and private landowners, assisting them in utilizing their lands to their full advantage while at the same time conserving their resources.

Maintain Existing Drainage Systems (objectives #4 and #7)

Sibley SWCD works closely with the Sibley County Ditch Authority on public drainage issues. Maintenance of these systems is critical in maintaining the tax base and productivity of agricultural lands. Petitions for drainage alterations or improvements are reviewed by the District to determine the compliance with the State Drainage Code, the Wetland Conservation, and the USDA Swampbuster provisions.

Replacement of open tile inlets with alternative measures, such as rock tile inlets or slotted risers has been promoted through the watershed implementation projects of the County, as cost assistance is available through these projects. District staff fielded many inquiries about the design and effectiveness of these alternatives and also promote their use. Open inlets provide a pathway for sediment and phosphorous to enter our surface waters.

Reduce Flood Damage in Sibley County (objective #8)

The 2009 growing season was drier than normal. There were no flood related issues to address, and no landowners raising the issue.

Tree Program (objectives #5 and #9)

For the 2009 Season the District sold and distributed:

- 3975 shrubs and small trees
- 2025 hardwood trees
- 2095 conifers
- 8095 total

The District has offered a tree program since 1972. It remains a popular program and allows the District to promote other conservation related programs and incentives that it has to offer while it has the customer in the office.

Other Services and Duties

Agricultural Best Management Loan Program

Sibley Soil and Water Conservation District has administered the AgBMP Loan Program for Sibley County since the program was first offered. It continues to be a popular source of financing for landowners who want to improve their situation but need help to get it on the ground. There were two requests for upgrading septic systems, one request for tillage equipment, and one request for feedlot related practices.

Financing of these loans continues to be handled by AgStar Financial Services. The program is well received and has been accountable for many positive changes over the years.

Archives

The archives of the Gaylord Field Office contain many historical records of drainage, conservation practices, windbreak plans, etc. that have been installed in the past. Seldom, a week of the year goes by without accessing these files. Investigating for drainage records is the most common use of these files.

Precipitation Monitoring Program

Sibley SWCD, in cooperation with the State Climatology Office, maintains a precipitation network of over 30 gauge readers. The District pays for the distribution of recording forms and the associated postage to deliver them into the hands of the volunteers. Rain and snowfall data is entered into a statewide database.

Cooperating Agencies

Sibley Soil and Water Conservation District expresses its appreciation to all agencies, departments, and groups for their assistance and support in delivering its programs and promoting its mission:

Sibley County Board of Commissioners
Sibley County Environmental Services
Sibley County Highway Department
Sibley County Extension Service
Sibley County Corn Growers Association
Sibley County Agricultural Association
Sibley County Ag Development
Nicollet-Sibley Soybean Growers Association
AgStar Financial Services
High Island Creek Watershed District
High Island Creek Implementation Project
Rush River Watershed Implementation Project
Pheasants Forever

High Island Lake Conservation Club
Minnesota DNR-Division of Waters
Minnesota DNR-Division of Forestry
Minnesota Department of Agriculture
Minnesota Board of Water and Soil Resources
Minnesota Department of Health
Minnesota Geological Survey
Minnesota State University-Mankato
USDA Natural Resources Conservation Service
USDA Farm Service Agency
United States Army-Corps of Engineers
United States Fish and Wildlife Service
Lake Titloe Committee

**FIXED ASSETS INVENTORY
OF
SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

December 31, 2009

Inventory #	Description	Location of Item	General Condition	Value
NEOF01	File Cabinet, 4 drawer	Storage Room	poor	\$58.95
NEOF02	File Cabinet, 4 drawer	Manager's Office	good	\$166.66
NEOF03	File Cabinet, 4 drawer	Manager's Office	good	\$166.66
NEOF04	File Cabinet, 4 drawer	Manager's Office	good	\$166.67
NEOF05	File Cabinet, 3 drawer	Manager's Office	good	\$74.50
NEOF06	Office Safe	Manager's Office	good	\$74.50
NEOF07	Desk & Top	Main Office	good	\$150.00
NEOF08	Computer Cabinet	Main Office	good	\$500.00
NEOF09	Computer Table	Manager's Office	good	\$316.44
NEOF12	Ink Jet Printer, HP 670C	Main Office	good	\$239.61
NEOF13	Dot Matrix Printer, Okidata 391	Manager's Office	good	\$787.05
NEOF15	Digitizing Pad & Mouse	Break Room	good	\$441.00
NEOF17	Typewriter, Canon S-68S	Main Office	good	\$137.38
NEOF18	Ringmaster Viewer	Break Room	good	\$400.00
NEOF19	Phone	Tree shed	good	\$11.66
NEOF20	Bell South Answering Machine	Main Office	good	\$26.61
NEOF21	Royal Calculator	Break Room	fair	\$75.00
NEOF22	ARBM Calculator	Manager's Office	good	\$129.00
NEOF23	Print, Pheasants Forever	Main Office	good	\$326.00
NEOF24	Map Case, 5 drawer	Main Office	good	\$200.00
NEOF25	File Cabinet, 4 drawer, legal	Main Office	good	\$150.00
NEOF26	File Cabinet, 4 drawer, legal	Main Office	good	\$150.00
NEOF27	Desk	Main Office	good	\$150.00
NEOF30	Ink Jet Printer, HP 1120C	Main Office	good	\$500.00
NEOF31	Digitizing Table	Public Works Office	good	\$1,800.00
NEOF32	Desktop Organizer	Main Office	good	\$100.00
NEOF33	Book Case	Main Office	good	\$19.00
NEOF34	HP Designjet 2000CP Plotter	Main Office	good	\$3,070.93
NEOF37	HP ScanJet 4400C	Main Office	good	\$117.14
NEOF38	Digital Research CD Burner	Main Office	good	\$106.99
NEOF39	Computer, HP DC7700	Main Office	good	\$981.54
NEOF40	Canon Super G3 Copier	Main Office	good	\$400.00
NEOF41	Computer Server, HP ProLiant ML110	Main Office	new	\$1,085.00
NEOF42	Computer Back-up, Lacie Hard Disk	Main Office	new	\$188.00
NEOF43	Computer Back-up, Lacie Hard Disk	Main Office	new	\$188.00
NEOF44	Firewall Protection, Firebox X10E	Main Office	new	\$460.00
NEOF45	Computer, HP Compaq DC5750	Main Office	new	\$839.95
NEOF46	Computer, HP Compaq DC5750	Main Office	new	\$907.85
NEOF47	Monitor, HPL2208w	Main Office	new	\$259.00
NEOF48	Monitor, HPL1908w	Main Office	new	\$198.00
NEOF49	Battery Back-up, PowerCom 1500	Main Office	new	\$270.00
NEFD01	Survey Rod	Truck	good	\$189.00
NEFD02	Tree Planter, mounted	Tree shed	fair	\$100.00

**FIXED ASSETS INVENTORY
OF
SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

December 31, 2009

Inventory #	Description	Location of Item	General Condition	Value
NEFD01	Survey Rod	Truck	good	\$189.00
NEFD02	Tree Planter, mounted	Tree shed	fair	\$100.00
NEFD03	Tree Planter, pull type	Tree shed	good	\$2,553.50
NEFD05	Truck, 1999 Ford	Service Center	good	\$5,710.00
NEFD07	Pick-up Box Cover, Ford	Service Center	good	\$676.27
NEFD07	Bale Rack	Tree shed	good	\$200.00
				\$25,817.86

NEOF = Non-expendable Office

NEFD = Non-expendable Field

**SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

Monthly Financial Report

December 31, 2009

PROGRAM	Cash Balance			Cash Balance 12/31/2009
	11/30/2009	Receipts	Payments	
District Funds	128586.44	217.03	0.00	128803.47
County Funds	18247.97	0.00	0.00	18247.97
General Services Grants	7166.44	0.00	7166.44	0.00
State Cost-Share Grant	27446.32	0.00	4784.07	22662.25
Easement Services Grant	2033.48	0.00	1171.59	861.89
Native Buffer Cost Share	10000.00	0.00	0.00	10000.00
WCA Grant	1277.09	15325.00	1277.09	15325.00
Water Management Levy (09)	7922.00	0.00	0.00	7922.00
Water Management (2009)	3505.60	0.00	2418.17	1087.43
Water Management (2010)	0.00	20012.00	0.00	20012.00
Watershed Projects	-3959.73	4823.11	2161.61	-1298.23
TOTAL	202225.61	40377.14	18978.97	223623.78
PREVIOUS ACCOUNT BALANCE		CURRENT ACCOUNT BALANCE		
Checking Account	\$3,672.46			\$6,516.60
Savings Account	\$181,551.04			\$200,105.07
Certificate of Deposit	\$10,438.99			\$10,438.99
Certificate of Deposit	\$6,563.12			\$6,563.12
	\$202,225.61			\$223,623.78
		ACCOUNTS PAYABLE		\$3,838.23
		ACCOUNTS RECEIVABLE		\$1,161.77
		ACTUAL NET WORTH		\$220,947.32
ACCOUNTS PAYABLE				
Qwest Communications	\$64.26			
United Farmers Cooperative	\$56.75			
Federal Withholding Tax	\$1,839.22			
State Withholding Tax	\$728.00			
State Sales Tax	\$1,150.00			
TOTAL	\$3,838.23			
ACCOUNTS RECEIVABLE				
CREP Reimbursements	\$762.41			
NRCS Copier Agreement	\$399.36			
TOTAL	\$1,161.77			