

**SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

2008 FINANCIAL REPORT

2008 PROGRAMATIC OVERVIEW
SIBLEY SOIL AND WATER CONSERVATION DISTRICT

2008 Supervisors and Staff

Supervisors

Chairman	Dave Trebelhorn	Winthrop	4th District
Vice-Chairman	Glen Uecker	Gaylord	2nd District
Secretary	Gerald Smith	Belle Plaine	5th District
Treasurer	Tom Pfarr	Arlington	1st District
Reporter	Gary Schafer	Gibbon	3rd District

Supervisor Uecker was appointed to resume the term of John Paulmann, who resigned in early 2008. His position was to last until the next general election in November. Glen did file for election, but once hearing that he had an opponent, backed out of the race. His experience with farming, employment with Seneca Foods, and familiarity with County residents was a real asset to Sibley SWCD. Paul Wiemann, who prevailed in the election, also an employee with Seneca, oversees wastewater systems for many of the corporation's plants in the upper Midwest.

Paul also sits on the Sibley County Planning Commission, and is chairman of the Board of Adjustment. He is a good addition to the District.

Supervisor Smith also resigned his position at the end of his term. He was replaced by Robert Nielsen, a specialist with the cattle breeding industry. His experience with animal agriculture will balance out the board of supervisors in a positive way.

Staff

District Manager	Loren Evenson	Gibbon
District Technician	Kevin Pioske	LeSueur
Water Management Coordinator	Ron Otto	Arlington
NRCS District Conservationist	John Dotolo	Arlington
NRCS Conservation Technician	Marie Lynch	Mankato

New to the Gaylord Field Office is Marie Lynch. Marie is a Minnesota native who was previously employed by the U.S Forest Service in the western states. She accepted a position with the Area VI NRCS, and is a shared employee with the St. Peter Field Office.

State Cost-Share Program

Sibley SWCD only considers high priority projects for cost-share. The Sibley SWCD provides cost share funding up to 75% of the total cost of a project; the amount to be determined by the District Board of Supervisors. The District received \$16,825.00 in State Cost-Share grant funds for fiscal year 2008. All but \$75.33 of this amount has been encumbered to date. A like amount was received for 2009. A balance of \$12,577 remains to be encumbered from the 2009 grant.

State Cost-Share Program (continued)

State Cost-share projects that were completed in 2008:

Sixteen (16) Unused Well Sealings

Three (3) Terrace Systems; 900 lineal feet, which kept 26 tons of soil and 19 pounds of phosphorous out of our waters.

One (1) Animal Waste Abatement System

Wetland Conservation Act

Wetland projects for 2008 were few (less than ten). No wetland losses reported. An aerial survey performed by Department of Natural Resources enforcement officers discovered no questionable activity during their most recent flight.

Wetland Banking activities by independent developers has dwindled to practically nothing due to more stringent State requirements. The wetland banks which exist in Sibley County are well managed, diverse, and functioning. Wetland banks have provided needed wildlife habitat and water quality benefits to our largely agricultural landscape. It is a shame that this program has lost interested developers.

State of Minnesota Conservation Easement Programs

Sibley SWCD was fortunate in having another 568.12 acres accepted into perpetual conservation programs in 2008. This would have been impossible without the experience and timely action by staff, as enrollment for the Reinvest in Minnesota/Wetland Reserve Program (RIM/WRP) was subject to a very short sign-up period. Seven applications were submitted, and of these, three were accepted. Two applications had been accepted earlier in the year. Now the focus will be placed on construction and seeding to native cover.

Agricultural Best Management Loan Program

The Sibley Soil and Water Conservation District continued to administer the AgBMP Program during the year 2008. Prioritization of loan requests and certification of proposed practices will be conducted by the District Board of Supervisors. Financing of loans continues to be handled by AgStar Farm Credit Services, although funds can now be accessed by cooperating area banks.

Six applications for the program were received in 2008; all of them for individual septic system upgrades. The program also helps to finance the purchase of conservation tillage equipment and animal waste handling equipment.

The program has allowed producers to transition from an intensive, clean till method of tillage to a system that reduces trips across the field, saves fuel and time, and conserves soil. It is the cheapest method available to reduce sediment loads to our ditches, streams, and lakes.

Tree Program

Like most Soil and Water Conservation Districts in Minnesota, Sibley SWCD offers a tree program, and has done so since 1972. For the 2008 season the District distributed:

3829 shrubs and small trees

1799 hardwood trees

1765 conifers

300 additional tree and shrub species that were special ordered

The tree program gives the District exposure to clientele who may not otherwise do business with us. The District Technician and District Conservationist have college degrees in horticulture, which is especially useful in explaining growth and care of plants, diagnosis of disease and insect problems, identification of herbaceous plants, and helpful hints for the fruit and vegetable grower. It continues to be a popular program for the residents of the County.

Precipitation Monitoring Program

Sibley SWCD, in cooperation with the State Climatology Office, administers a network of 30 rain gauge readers. These readers send daily precipitation records to the SWCD office, where the data is entered into a statewide database. This information is useful to the agricultural producer, storm water designer, wetland delineator, etc. Expenses for paper, postage, and data entry, are borne entirely by the District. Sibley SWCD has one of the most comprehensive networks in the State of Minnesota.

The District hosted an appreciation event for our precipitation readers in 2008. A picnic style meal was served to them at the grounds of the Gaylord Game Protective League, a beautiful park on the shores of Lake Titloe. Peter Boulay, of the State Climatology Office, was the guest speaker.

Watershed Programs

The Water Management Specialist spends half of his time working with the coordinators of the High Island Creek and Rush River Implementation Projects. The SWCD office has, and will continue to be the first stop for applicants seeking information about these programs. All of the staff, however, are knowledgeable about the loans and incentives offered, personally know many of the applicants, and highly promote the program.

Projects completed in 2008 include:

- 328 acres of cover crops
- 27 individual septic system upgrades
- 86 Alternatives to open tile inlets (blind inlets and slotted riser pipes)
- 11 acres of filter strips
- 1 rain garden

Staff are confronted by inquiries inside of and outside of confines of the office.

Education

Sibley SWCD is occasionally asked to speak to various groups in the County about environmental topics. Sertoma, Rotary, Sibley Masonic Lodge, and several of the townships, and the Township Association of Minnesota asked staff to give presentations in 2008.

The District is now required to maintain its own internet website. Sibley SWCD staff is not, and were not, trained to be computer specialists. They are conservationists who love the land and nature, and who are out of their element when it comes to electronic communication and high-tech gizmos. Yet, we believe that we have developed a site that is simple to navigate, informative, and educational. This is our new tool to inform our customers of conservation priorities and programs. It is yet to be seen whether the website will be more useful to our customers, the residents of Sibley County, or to "big brother". The website may generate some additional revenues in tree sales, but probably not enough to cover the expenses. Using this technology has come with a considerable cost, and will be an additional expense to the District in the future.

Soil Stewardship Sunday has given the District exposure to the parishioners of the County for many years. The District has offered bulletin inserts to County churches to be used as they pleased. Unfortunately, a recent audit of the District has resulted in the discontinuation of this relationship, due to the perceived conflict of a separation of church and state. The law must be obeyed.

A display booth was set up at the Sibley County Fair, in Arlington; and at the annual Grackle Days celebration in Winthrop. The Watershed Coordinators make use of the display also.

Sibley SWCD contributed monetary support to the Envirothon educational initiative.

Trees were given to the fourth grade students of the Sibley East schools as part of their Arbor Day observance.

Sibley County Geologic Atlas

The water plan specialist undertook a program to locate approximately 300 active wells as part of a project to develop a new geologic atlas of Sibley County. The Minnesota Geological Survey has used well logs to geographically map the soil horizons throughout the County. Some of these wells had questionable locations, as indicated by the well driller. A geographical positioning instrument was used to pinpoint these locations. The County provided the funds needed for the fuel used to travel to the sites.

Other Services and Duties

The archives of Sibley SWCD contain many historic records of use to our customers. Drainage records, conservation practices installed, tree plantings, aerial photographs, numerous studies, etc. can all be found in our files. A week does not pass in which these resources are not opened for exploration. Freedom of Information Act policies limit free access to this information, but for those allowed to view them, a wealth of treasures awaits.

Other Services and Duties (continued)

Sibley SWCD performs crop equivalency ratings for landowners wishing to develop home-sites in the Conservation-Agricultural district of the County. This arrangement allows the District staff to make the applicant aware of programs offered, and to spot potential environmental concerns before a permit request is brought to a public hearing.

Cooperating Agencies

Sibley SWCD wishes to recognize the following agencies, departments, and groups for promoting our cause and assisting us in 2008:

- 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
- Sibley County Pork Producers
- Nicollet-Sibley Soybean Growers Association
- AgStar Financial Services
- High Island Creek Watershed
- High Island Creek Watershed Implementation Project
- Rush River Watershed Implementation Project
- Pheasants Forever
- High Island Lake Conservation Club
- Silver Lake Conservation Club
- Conservation Partners of America
- Gaylord Game Protective League

Minnesota DNR Division of Enforcement
Minnesota DNR Division of Waters
Minnesota DNR Division of Forestry
Minnesota Department of Agriculture
Minnesota Department of Health
Minnesota Geological Survey
Minnesota State University-Mankato
USDA Natural Resources Conservation Service
USDA Farm Services Agency
United States Army Corps of Engineers
United States Fish and Wildlife Service

We would also be remiss in not mentioning John W. Peterson, who served our County as extension agent and water planner. His many years of service to our citizens, and his support of our efforts, were very much appreciated. John passed away on July 20, 2008.

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

December 31, 2008

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	Manager's Office	good	\$500.00
NEOF09	Computer Table	Main Office	good	\$316.44
NEOF12	Ink Jet Printer, HP 670C	Manager's Office	good	\$239.61
NEOF13	Dot Matrix Printer, Okidata 391	Main Office	good	\$787.05
NEOF15	Digitizing Pad & Mouse	Main Office	good	\$441.00
NEOF17	Typewriter, Canon S-68S	Main Office	good	\$137.38
NEOF18	Ringmaster Viewer	DC's Office	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	FSA Office	good	\$3,070.93
NEOF35	Dell Computer	Main Office	good	\$763.00
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
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	\$14,319.68
NEFD07	Pick-up Box Cover, Ford	Service Center	good	\$676.27
NEFD07	Bale Rack	Tree shed	good	\$200.00
				\$30,394.74
	NEOF = Non-expendable Office	NEFD = Non-expendable Field		

**SIBLEY SOIL AND WATER
CONSERVATION DISTRICT**

MANAGEMENT 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 2008. Since the 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. 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. Sibley Soil and Water Conservation District has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the SWCD's finances is, "Is the SWCD as whole better or worse off as a result of the year's activities?" The Statement of Activities report information about the SWCD as a whole and about its activities in a way helps answer this question. These Statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most of the 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 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 non-financial factors, however, such as changes in the County property tax base and the condition of the 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 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 decreased from \$238,162 to \$207,124 between December 31, 2007 and December 31, 2008. Unrestricted net assets decreased by 8.6% (\$165,236 -- \$142,604). Unrestricted net assets – are the part of the net assets that can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. These changes do not pose any significant changes 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 decreased by 8.6% (\$238,162 -- \$207,124) in 2008. The cost of all programs and services saw moderate change. Changes in revenues result primarily from increases in pass-through funds, an increase in 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 increased by 9.5% (\$38,842), while total District operational expenses (excluding tree expenses) increased by 9.5% (\$1924). The increase in District operational expense is minimal and reflects an adherence to budgets set forth for the year. The District activity operational expenses (\$216,542) were 8.2% higher than the budgeted allowance (\$177,700)

General Fund Budgetary Highlights

The initial 2008 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 were the same over 2008. County appropriations for District operations were the same as in 2007. This increase was the result of pass-through dollars associated with Clean Water Partnership Implementation Project funding. These pass-through funds are supplied by Sibley County to manage 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 2007, 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. A 7.8% revenue increase (\$15,968) over budget was realized. Most of this revenue increase was in the form of pass-through from the Minnesota Pollution Control Agency to fund activities of the Rush River Implementation Project.

Charges for services include deposits for tree orders, tree orders paid in full, and the sale of field marking flags. Projected income from the sale of trees is very challenging due to program availability, weather, and health of the agricultural economy. Income from the tree program was \$802 less than budgeted for 2007.

Expense Budget

Total District Operations include personal services, other services and charges, supplies and capital outlay. Total operational expenses were more than that budgeted (\$14,716). There was an increase in office supply expense (\$1321). Rising 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 2008, and none had been 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 greater than budgeted (\$19,477). Again, this increase is a reflection of pass-through funds for watershed implementation programs, and is reimbursed by the County.

The sale of plant materials requires keeping a tight inventory. The District has developed and utilizes a spreadsheet to keep a close count of all materials ordered. Nurseries that supply plant materials have been flexible, allowing the District to increase its inventories as needed to fulfill customer demand, pending availability of individual varieties. Costs for newsletter development have risen due to watershed implementation project promotion. Quarterly newsletters will be distributed for the next several years and the budget may need to be adjusted to account for this change in normal District outreach.

State Project expenses include pass-through grants for cost-sharing conservation practices. Expenses were above that budgeted (\$6074). The \$34,074 paid was for State Cost-Share projects, associated slippage, and unspent funds. A backlog of projects still remains, due to the availability of contractors who have been backlogged themselves. The State Project budget for 2009 will require further adjustments to compensate for these delayed projects. There remain several State Cost-Share projects that have been encumbered, but have not been implemented. Project expense and Technical and Administrative funds will not appear as expenses until these projects have been completed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, Sibley Soil and Water Conservation District had \$22,185 invested in capital assets, including vehicles, tree planting equipment and office equipment. There were no additions but there were some deletions of capital assets in 2008. There are plans to purchase computer equipment early 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	236.75 hours	600 hours	\$19.13	\$16,007
District Technician	240 hours	600 hours	\$15.99	\$13,432
Water Manager	112.5 hours	143.25 hours	\$12.27	<u>\$3,138</u>
				\$32,577

The change in long-term liabilities increased by \$2943 in 2008 (\$29,635 -- \$32,577).

FUTURE OPERATIONS

Sibley Soil and Water Conservation District relies on County, State, and Federal appropriations to carry forward its operations. 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 aware of these possibilities and has long been conservative with its spending to offset these circumstances.

The 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 County departments. The SWCD has excellent working relations with the Sibley County Public Works, Environmental Services, Planning and Zoning, Ag and Ditch, and Auditor departments. Local projects and concerns are addressed more efficiently when local government entities work together.

State appropriations have been variable over the last several years, with un-allotments to Water Management and Wetland Conservation Act funding. State Cost-Share and General Services grants have remained unchanged in recent years. Consolidation and re-structuring of staff duties have become necessary to offset these funding changes. Sibley Soil and Water Conservation District is fortunate in that it has undertaken watershed studies and implementation projects. Clean Water Partnership grants have allowed the SWCD to keep a full time employee who performs both the Water Management and Watershed Coordinator functions of the District. Without the watershed projects, the SWCD would find it difficult to hire part time staff to maintain the Water Management functions.

Federal appropriations have been non-existent for many years. With the advent of the Environmental Quality Incentives Program (EQIP) an opportunity exists for the SWCD to enter into a Technical Service Provider (TSP) agreement with USDA. Technical Service Providers may be requested by the producer to assist them in designing terraces, waterways, animal waste management systems, fertilizer and nutrient planning, etc. Sibley Soil and Water has entered into such an agreement to design terraces and water and sediment control basins, and to work on conservation planning for Conservation Reserve Program (CRP) contracts. Although this funding is awarded by individual jobs performed, it does offer the SWCD additional revenues.

Since 1972 the Sibley Soil and Water Conservation District has continued to offer plant materials for the establishment of shelterbelts and wildlife plantings, and has remained an important function of most SWCD's in Minnesota. Revenues from this program have remained consistent for the last several years, and help to promote our other conservation programs.

Operational expenditures are expected to remain consistent in 2009. Variations that present themselves are usually due to the number of State Cost-Share projects that are completed in any given year. It will be noticed in the statement of 2008 "Deferred Revenue Breakdown" that Sibley Soil and Water Conservation District has a large number of pending projects which have been encumbered. It is anticipated that many of these projects will reach completion in 2009.

BREAKDOWN OF COUNTY REVENUE

2008

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	<u>\$63,353.00</u>
WATER PLAN MONEY	<u>\$26,857.18</u>
WETLAND MONEY	<u>\$30,650.00</u>
FEEDLOT MONEY	<u>\$20,013.00</u>
ABANDONED WELL	<u>\$0.00</u>
DNR SHORELAND	<u>\$0.00</u>
OTHER (specify) High Island Creek and Rush River Watershed Implementation Funds	<u>\$23,177.52</u>
TOTAL	<u>\$164,050.70</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

2008

Balance of BWSR Service Grants: \$8,625.11

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$22,527.82

Previous fiscal year \$75.33

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

FY	Contract No.	Contract Amount	T & A Encumbered
2006	FY06-14	\$400.00	\$100.00
2006	FY06-18	\$400.00	\$100.00
2008	FY08-1	\$400.00	\$100.00
2008	FY08-2	\$2000.00	\$500.00
2008	FY08-11	\$2000.00	\$500.00
2008	FY08-14	\$400.00	\$100.00
2008	FY08-15	\$1975.00	\$493.75
2008	FY08-16	\$1975.00	\$493.75
2009	FY09-1	\$1500.00	\$375.00
2009	FY09-4	\$400.00	\$100.00
2009	FY09-5	\$400.00	\$100.00

Total of all Cost-Share Encumbrances \$14,812.50

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$12,537.59

Balance of other funds being deferred (list if any):

<u>WCA Performance Bond</u>	<u>\$6,062.50</u>
_____	\$ _____
_____	\$ _____

Subtotal of other funds: \$6,062.50

TOTAL OF ALL DEFERRED REVENUE: \$64,640.85

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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 appropriable for spending.

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

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

F. Explanation of Adjustments Column in Statements

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

A. General Fund Deficit

At December 31, 2008, 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 2008, actual expenditures, \$291,572.00, exceeded budgeted expenditures, \$212,300.00, by \$79,272.00.

C. Uncollateralized deposits

During 2008, 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, 2008, the District's deposits totaled \$208,989.42, of which \$192,175.48 was cash deposits and \$16,813.94 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2008, 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, 2008	\$37,694.74
Deletions	\$7,300.00
Balance December 31, 2008	\$30,394.74

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$30,394.74 as of December 31, 2008.

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 \$64,640.85.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2008 are:

Balance January 1, 2008	\$29,634.00
Net Changes in Compensated Absences	\$2,942.69
Balance December 31, 2008	\$32,576.69

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 2008. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for

Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2008. The District's employer share of contributions to PERA for the years ending December 31, 2008, 2007, and 2006 were \$6,394.23, \$ 6,023.98, and \$5,367.07 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 2008 were \$5,772.00.

SIBLEY SOIL AND WATER CONSERVATION DISTRICT
GAYLORD, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Neg)</u>
Revenues			
Intergovernmental			
County	\$130,200	\$164,051	\$33,851
Local	0	0	0
Federal	0	0	0
State grant	47,500	60,395	12,895
Total intergovernmental	\$177,700	\$224,446	\$46,746
Charges for services	\$16,500	\$15,698	(\$802)
Interest earnings	\$6,100	\$5,776	(\$324)
Other	12,000	19,491	7,491
Total Revenues	\$212,300	\$265,411	\$53,111
Expenditures			
District operations			
Personnel services	\$147,000	\$160,788	(\$13,788)
Other services and charges	12,300	13,226	(926)
Supplies	2,000	5,488	(3,488)
Capital outlay	0	0	0
Total district operations	\$161,300	\$179,502	(\$18,202)
Project expenditures			
District	\$23,000	74,731	(\$51,731)
State	28,000	34,074	(6,074)
Total project expenditures	\$51,000	\$108,805	(\$57,805)
Total Expenditures	\$212,300	\$288,307	(\$76,007)
Net Change in Fund Balance	\$0	(\$22,896)	(\$22,896)
Fund Balance - January 1	\$162,347	\$162,347	\$0
Fund Balance - December 31	\$162,347	\$139,451	(\$22,896)

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, 2008

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$224,446	\$0	\$224,446
Charges for services	15,698	0	15,698
Investment earnings	5,776	0	5,776
Miscellaneous	19,491	0	19,491
Total Revenues	\$265,411	\$0	\$265,411
Expenditures/Expenses			
Conservation of natural resources			
District operations			
Personal services	160,788	3,265	164,053
Other services and charges	13,226	-	13,226
Supplies	5,488	0	5,488
Total district operations	179,502	\$3,265	182,767
Project expenditures			
State	74,731	-	74,731
District	34,074	-	34,074
Total project expenditures	\$ 108,805	\$ -	\$ 108,805
Total Expenditures/Expenses	\$ 288,307	\$ 3,265	\$ 291,572
Net Change in Fund Balance/Net Assets	(\$22,896)	(\$3,265)	(\$26,161)
Fund Balance/Net Assets January 1	162,347	(29,312)	133,035
Fund Balance/Net Assets December 31	\$139,451	(\$32,577)	\$106,874
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			\$ (22,896)
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.			(3,265)
Change in Net Assets of Governmental Activities			\$ (26,161)

Notes are an integral part of the basic financial statements.

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, 2008

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and investments	\$208,984		\$208,984
Accounts receivable	777		777
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)	0	0	0
Total Assets	\$209,761	\$0	\$209,761
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$107		\$107
Salaries payable	3,033		3,033
Due to other governments	2,530		2,530
Deferred revenue	58,578		58,578
Performance bond payable	6,062		6,062
Noncurrent liabilities:			0
Due after one year	0	32,577	32,577
Total Liabilities	\$70,310	\$32,577	\$102,887
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$0	\$0	
Unreserved			
Designated for future projects	0	0	
Undesignated	139,451	(139,451)	
Total Liabilities and Fund Balance	\$209,761		
Net Assets			
Invested in capital assets		\$0	\$0
Unrestricted		106,874	106,874
Total Net Assets		\$106,874	\$106,874
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 139,451
Compensated absences are reported in the Statement of Net Assets but not in the Fund Balance Sheet			(32,577)
Net Assets - Governmental Activities			\$ 106,874

Notes are an integral part of the basic financial statements.

