

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

December 31, 2011

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JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Waseca County Soil and Water Conservation District
Waseca, Minnesota

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

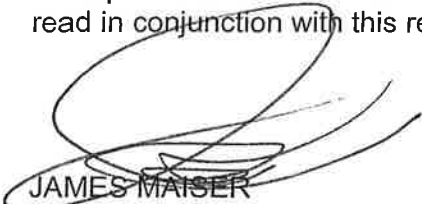
I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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

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

The management's discussion and analysis information is not a required part of the basic financial statements but it is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 31, 2012 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read 'James Maiser', is written over the printed name.

JAMES MAISER

Certified Public Accountant and Consultant

August 31, 2012
Waconia, Minnesota

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

The Waseca County Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the year ended December 31, 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$35,821 during the current year.
- Total net assets decreased \$20,673 during the prior year.
- Total revenues decreased \$12,250 compared to prior year.
- Total expenditures increased \$2,898 compared to prior year.

USING THIS ANNUAL REPORT

This annual report consists of two parts management's discussion and analysis and the basic financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Some governmental agencies report fund financial statements that tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds. Since soil and water conservation districts are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Waseca County Soil and Water Conservation District has elected to present in this format.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

These two statements report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the overall health of the district.

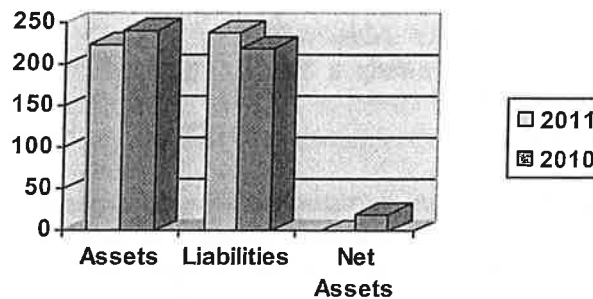
THE DISTRICT AS A WHOLE

The District's total net assets changed from a year ago, decreasing from \$21,274 to -\$14,547. Our analysis below focuses on the net assets and changes in net assets of the District's activities.

Net Assets

	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$205,709	\$241,023
Capital assets	19,356	-
Total Assets	<u>225,065</u>	<u>241,023</u>
Liabilities:		
Long term liabilities	10,272	11,267
Current Liabilities	229,340	208,482
Total Liabilities	<u>239,612</u>	<u>219,749</u>
Net Assets:		
Invested in capital assets	19,356	-
Unrestricted	-33,903	21,274
Total Net Assets	<u>-\$14,547</u>	<u>\$21,274</u>

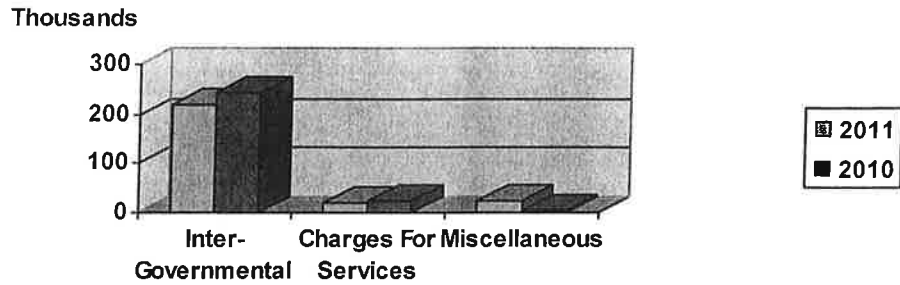
Thousands



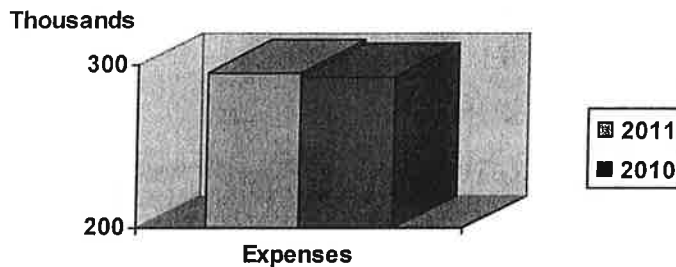
Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues:			
Program Revenues			
Intergovernmental	\$238,159	\$244,702	-\$6,543
Charges for services	18,645	24,950	-6,305
Investment Earnings	520	711	-191
Miscellaneous	2,649	1,860	789
Total Revenues	<u>259,973</u>	<u>272,223</u>	<u>-12,250</u>
Expenses:			
Conservation	<u>295,794</u>	<u>292,896</u>	<u>-2,898</u>
Change In Net Assets	<u>-35,821</u>	<u>-20,673</u>	<u>-15,148</u>
Total Net Assets (Fund Balance)	<u>-\$14,547</u>	<u>\$21,274</u>	<u>-\$35,821</u>

Revenues



Expenses



GENERAL FUND BUDGETARY COMPARISON

The District budgeted approximately a \$22,000 shortfall in 2011. Their actual loss came in at approximately \$56,000. Total revenue finished approximately \$31,000 higher than budgeted whereas expenses finished approximately \$65,000 higher than budgeted.

The District was successful in completing several conservation projects in 2011 that had previously been delayed due to weather, design, or available contractors. Numerous FY09, FY10, and FY11 cost share grants were closed out in 2011. As a result, the District experienced higher than budgeted revenue and expenditures as projects were completed and recognized. Approximately \$53,000 of cost share projects were completed in 2011 above and beyond the budgeted amount of \$40,000.

The District also incurred higher than expected personnel and service expenses in order to fulfill the requirements of a three member TEP. The District contracted with a private engineering firm to provide a Certified Wetland Delineator at an hourly rate. An increase in budgeted expenditures was incurred due to the unanticipated numerous WCA TEP meetings to review project applications received by the District. The TEP also reviewed and approved three wetland bank applications, worked with landowners on four WCA violation sites, and attended the WCA appeal public hearing held by the District Board.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets - At year-end, the District had \$19,356 invested in capital assets. The District purchased a new truck for \$20,375 during the current year.

Long-Term Liabilities - At the end of 2011, the District had \$10,272 in accrued compensated absences. This compares to \$11,267 in 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials and staff considered many factors when setting the 2012 budget. The District's board of directors is attempting to keep expenditures low due to the uncertainty of the County and State budget forecasts.

CONTACTING THE WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Waseca County SWCD at 105 22nd Avenue NE, Waseca, MN 56093.

WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

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

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 201,867	\$ -	\$ 201,867
Accounts Receivable	3,842	-	3,842
Capital Assets:			
Equipment (net of accumulated depreciation)	-	19,356	19,356
Total Assets	<u>\$ 205,709</u>	<u>\$ 19,356</u>	<u>\$ 225,065</u>
<u>Liabilities</u>			
Current liabilities:			
Salaries Payable	\$ 35,778	\$ -	\$ 35,778
Deferred Revenue	193,562	-	193,562
Long-term liabilities:			
Due after one year	-	10,272	10,272
Total Liabilities	<u>\$ 229,340</u>	<u>\$ 10,272</u>	<u>\$ 239,612</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unassigned	(23,631)	23,631	-
Total Fund Balance	<u>\$ (23,631)</u>	<u>\$ 23,631</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 19,356	\$ 19,356
Unrestricted		(33,903)	(33,903)
Total Net Assets		<u>\$ (14,547)</u>	<u>\$ (14,547)</u>

Notes are an integral part of the basic financial statements.

WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

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

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 238,159	\$ -	\$ 238,159
Charges for services	18,645	-	18,645
Investment earnings	520	-	520
Miscellaneous	2,649	-	2,649
Total Revenues	<u>\$ 259,973</u>	<u>\$ -</u>	<u>\$ 259,973</u>
Expenditures/Expenses			
Conservation			
Current	\$ 295,770	\$ 24	\$ 295,794
Capital outlay	20,375	(20,375)	-
Total Expenditures/Expenses	<u>\$ 316,145</u>	<u>\$ (20,351)</u>	<u>\$ 295,794</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ (56,172)</u>	<u>\$ 20,351</u>	<u>\$ (35,821)</u>
Fund Balance/Net Assets January 1	<u>\$ 32,541</u>	<u>\$ (11,267)</u>	<u>\$ 21,274</u>
Fund Balance/Net Assets December 31	<u><u>\$ (23,631)</u></u>	<u><u>\$ 9,084</u></u>	<u><u>\$ (14,547)</u></u>

Notes are an integral part of the basic financial statements.

WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

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

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues			
Intergovernmental			
Local	\$ 48,494	\$ 44,724	\$ (3,770)
County	76,162	96,537	20,375
State Grant	76,236	96,898	20,662
Total intergovernmental	<u>\$ 200,892</u>	<u>\$ 238,159</u>	<u>\$ 37,267</u>
Charges for services	<u>\$ 26,000</u>	<u>\$ 18,645</u>	<u>\$ (7,355)</u>
Miscellaneous			
Investment earnings	\$ 700	\$ 520	\$ (180)
Other	1,500	2,649	1,149
Total miscellaneous	<u>\$ 2,200</u>	<u>\$ 3,169</u>	<u>\$ 969</u>
Total Revenues	<u>\$ 229,092</u>	<u>\$ 259,973</u>	<u>\$ 30,881</u>
Expenditures			
District operations			
Personnel services	\$ 155,214	\$ 174,388	\$ (19,174)
Other services and charges	31,055	45,238	(14,183)
Supplies	600	1,115	(515)
Capital outlay	3,000	20,375	(17,375)
Total district operations	<u>\$ 189,869</u>	<u>\$ 241,116</u>	<u>\$ (51,247)</u>
Project expenditures			
District	\$ 21,250	\$ 32,930	\$ (11,680)
State	40,000	42,099	(2,099)
Total project expenditures	<u>\$ 61,250</u>	<u>\$ 75,029</u>	<u>\$ (13,779)</u>
Total Expenditures	<u>\$ 251,119</u>	<u>\$ 316,145</u>	<u>\$ (65,026)</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ (22,027)</u>	<u>\$ (56,172)</u>	<u>\$ (34,145)</u>
Fund Balance - January 1	<u>\$ 32,541</u>	<u>\$ 32,541</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 10,514</u></u>	<u><u>\$ (23,631)</u></u>	<u><u>\$ (34,145)</u></u>

Notes are an integral part of the basic financial statements.

**WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

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

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

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

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

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to

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

be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

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

Investment earnings and revenue from sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

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

Budget Information

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

Use of Estimates

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

Assets, Liabilities and Equity Accounts

Assets

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

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to Net Assets.

Classification of Net Assets

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

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

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

Restricted net assets – the amount of net assets for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Classification of Fund Balances

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

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the District Administrator who has been delegated that authority by Board resolution.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Explanation of Adjustments Column in Statements

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

**WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

Long-Term Liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence liability the district has as of the report date. See note on Long-Term Liabilities.

Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 4 to 8.5 hours per pay period. Sick leave accrual is 4 hours per pay period. The limit on the accumulation of annual leave is 280 hours and there is no limit on accumulated sick leave. Upon termination of employment from the district, employees are paid accumulated annual leave and up to 80 hours of accrued sick leave.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; worker's compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	Beginning	Addition	Deletion	Ending
Equipment	\$ 0	\$20,375	\$ 0	\$20,375
Less: Accumulated Depreciation	0	1,019	0	1,019
Net Capital Assets	<u>\$ 0</u>			<u>\$19,356</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation are Machinery and equipment 5 to 10 years. Current year depreciation is \$1,019.

The district uses the threshold of \$1,000 for capitalizing assets purchased.

Deferred Revenue

Deferred revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2011, consists of the following: BWSR Service Grant, \$19,281; BWSR Cost Share Programs \$57,539; SA Funds, \$43,280; Flood Disaster Cost Share, \$73,462; Total, \$193,562.

**WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

Long-Term Liabilities - Compensated Absences Payable

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

Balance January 1, 2011	\$11,267
Net Change in Compensated Absences	<u>(995)</u>
Balance December 31, 2011	<u>\$10,272</u>

Deposits

Minn. Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

At December 31, 2011, the District's deposits totaled \$201,867, all of which were cash deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2011, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans – Statewide

Plan Description - Public Employees Retirement Association

The district contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minn. Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.25% of their annual covered salary. The District is required to contribute 7.25% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$7,432, \$6,975, and \$6,726 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 - Stewardship, Compliance, and Accountability

Excess of expenditures over budget - The general fund had expenditures in excess of budget for the year as follows: Expenditures \$316,145; Budget \$251,119; Excess \$65,026.

**WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

Note 5 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement, total costs for 2011 were \$7,980.

Note 6– Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$ 32,541
Plus: Excess of Revenue Over Expenditures	<u>(56,172)</u>
Governmental Fund Balance, December 31	<u>(\$ 23,631)</u>
Adjustments from Fund Balance to Net Assets:	
Plus: Capital Assets	\$ 19,356
Less: Long Term Liabilities	<u>(10,272)</u>
Net Assets	<u>(\$ 14,547)</u>

Note 7 – Reconciliation of Change in Fund Balance to Change in Net Assets

Change in fund balance	(\$56,172)
Capital outlay	20,375
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(1,019)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>995</u>
Net change in net assets	<u>(\$35,821)</u>