

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fillmore SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2008. Since this information is designed to focus on the current years 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 (this section), 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 (on pages 6 and 7) 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 start on page 2. 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. Fillmore SWCD has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

Our analysis of the SWCD as a whole begins on page 2. 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 non-financial factors, however, such as changes in the SWCD's property tax base and the condition of SWCD 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.

Reporting the SWCD's General Fund

Fund Financial Statements

Our analysis of the SWCD's general fund begins on page 4. 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

The SWCD's combined net assets were lower in 2008, decreasing from \$540,035 to \$389,628. This is a decrease of \$150,407 or 27.9 percent. This compares to a 36.3 percent increase last year. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		
	2006	2007	2008
Current and other assets	\$620,186	\$1,291,635	\$1,285,580
Capital assets	\$137,092	\$ 132,019	\$ 128,497
Total assets	\$757,278	\$1,423,655	\$1,414,076
Long-term debt outstanding	\$ 38,085	\$ 43,177	\$ 59,538
Other liabilities	\$323,058	\$ 840,443	\$ 964,911
Total liabilities	\$361,143	\$ 883,620	\$1,024,449
Net assets			
Invested in capital assets, net of debt	\$137,092	\$ 132,019	\$ 128,497
Restricted	\$288,210	\$ 316,593	\$ 212,243
Unrestricted	\$(29,167)	\$ 91,423	\$ 45,888
Total net assets	\$396,134	\$ 540,035	\$ 389,628

Net assets of the SWCD governmental activities decreased by 27.9 percent (\$389,628 compared to \$540,035). 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 \$91,423 surplus December 31, 2007 to a \$45,888 surplus at the end of 2008.

TABLE 2
Changes in Net Assets

Governmental
Activities

	2006	2007	2008
Revenues			
Program revenues:			
Charges for service	\$ 48,578	\$46,132	\$ 48,024
Federal grants	\$ 17,434	\$0	\$ 0
State grants and entitlements	\$ 407,071	\$456,982	\$ 536,043
County grant	\$ 237,816	\$251,486	\$ 258,336
Misc. revenues			
Investment earnings	\$ 20,971	\$ 29,428	\$ 41,623
Other misc.	\$ 9,663	\$ 9,673	\$ 5,788
Federal entitlements			
Other general revenues	\$ 3,500	\$	\$
Total revenues	\$ 745,033	\$ 793,701	\$ 889,814
Program expenses			
General government			
Conservation			
Current	\$ 743,746	\$ 622,347	\$ 997,554
Capital outlay	\$ 11,802	\$ 17,290	\$ 22,884
Total expenses	\$ 755,548	\$ 639,637	\$1,020,438
Excess (deficiency) before special items and transfers			
Special items			
Transfers			
Increase or Decrease in net assets	\$ 10,515	- \$131,610	\$ -130,624

The SWCD's total revenues (excluding special items) increased by 12.1 percent (\$96,113) due to increases in state grants. The total cost of all programs and services increased by \$380,801 or more than 59 percent. This increase in expenditures is attributed to more state and district projects being completed and paid, increased personnel costs, and additional expenses related to switching the computer system from the USDA-NRCS system to the SWCD's own network.

Governmental Activities

Revenues for the SWCD governmental activities increased by 12.1 percent (\$96,113), while total expenses increased over 59 percent (\$380,801). The net assets for governmental activities was decreased to -\$130,624 in 2008. This compares to a \$131,610 increase in net assets in 2007.

The cost of all governmental activities this year was \$1,020,438 compared to \$639,637 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, increased from \$764,273 in 2007 to \$845,191 in 2008 based principally on increases in intergovernmental aid plus fees charged for services. The SWCD paid for the remaining "public

benefit” portion of governmental activities with \$0 in taxes and with other revenues, such as interest and general entitlements.

THE SWCD’s FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet on pages 7 reported a combined fund balance of \$389,628, which is below last year’s total of \$540,035. Included in this year’s total change in fund balance, however, is a surplus of \$45,888 in the SWCD’s General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Fillmore SWCD Board of Supervisors did not revise the SWCD’s budget.

Without any adjustments, the actual changes to appropriations (expenditures) were \$206,971 below the final budget amounts. This was due largely to cost-share funds for flood relief and feedlot fixes that were not spent in 2008 as anticipated.

Resources available for appropriation were \$337,595 below the final budgeted amount. This decrease resulted largely from fiscal year grant funds that were budgeted for 2008 but arrived in a calendar year other than when they were budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the SWCD had \$128,497 invested in a broad range of capital assets, including a building, 4 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net decrease and deductions of \$3,522, or 2.7 percent, under last year.

**Table 4
Capital Assets at Year-end**

	Governmental Activities		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Conservation Building	\$ 81,274	\$ 78,148	\$ 75,022
Equipment	\$ 53,625	\$ 53,871	\$ 53,475
	<u>\$134,899</u>	<u>\$132,019</u>	<u>\$128,497</u>

This year's major additions included: Computers, software, and networking equipment purchased for eight work stations set up on a network separate from the USDA-NRCS system.

The SWCD's fiscal-year 2009 capital budget calls for it to spend another \$5,000 for capital projects, principally for the purchase of computer hardware and software for one additional work station and any upgrades or repairs that may be necessary.

Long-Term Liabilities

The Fillmore SWCD purchases commercial insurance for property and casualty claims and has claims and judgments of \$0 outstanding at year-end. Other obligations include accrued vacation pay and sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fillmore SWCD elected officials considered many factors when setting the fiscal-year 2009 budget and fees that will be charged for the business-type activities. Conservation needs and priorities, education and outreach, cooperative efforts with local, state, and federal agencies and other groups, state and county allotments, and district employee productivity and safety were considered. Additional grant funds to increase the revenue for the district are anticipated from a project in the Root River Watershed to study BMP effectiveness at a small watershed scale. The Root River Turbidity TMDL study will continue. The SWCD has purchased equipment to test water samples for bacteria and will be a certified lab for this service, which will improve efficiency and cost savings for monitoring efforts and may generate revenue for the SWCD. Additional funding sources that will bring stability to programs and staffing are constantly being sought to improve the services that can be provided to residents in the county and to improve water quality in the watersheds where they live. The expenses incurred in 2008 to set up the SWCD computer network were a one-time expense that will not be a factor in 2009. Poor economic conditions locally, statewide and globally will likely impact state and local revenues to the SWCD through cuts to state grants and local government aid. Clean Water Amendment revenues, which will begin to be collected in 2009, may be available for FY2010 to offset some of the state and local budget cuts and to enhance current and new programs.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Rasmussen, District Administrator at (507) 765-3878 Ext 3

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$1,271,888		\$1,271,888
Accounts receivable	(30)		(30)
Interest Receivable	10,722		10,722
Due from other governments	0		0
Prepaid items	3,000		3,000
Capital Assets:			
Equipment (net of accumulated depreciation)		128,497	128,497
Total Assets	\$1,285,580	\$128,497	\$1,414,076
<u>Liabilities</u>			
Current liabilities:			
Payroll tax payable	(\$57)		(\$57)
Sales Tax Payable	\$95		\$95
Salaries payable	20,140		20,140
Deferred revenue	944,733		944,733
Long-term liabilities:			0
Due within one year		0	0
Due after one year		59,538	59,538
Total Liabilities	\$964,911	\$59,538	\$1,024,449
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$3,000	(\$3,000)	\$0
Unreserved			
Designated for future projects	212,243	(212,243)	0
Undesignated	105,425	(105,425)	0
Total Fund Balance	\$320,668	(\$320,668)	\$0
Net Assets			
Invested in capital assets		\$128,497	\$128,497
Designated Fund Balance		\$215,243	\$215,243
Unrestricted		45,888	45,888
Total Net Assets		\$389,628	\$389,628

Notes are an integral part of the basic financial statements.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$794,379	\$0	\$794,379
Charges for services	48,024	0	48,024
Investment earnings	41,623	0	41,623
Miscellaneous	5,788	0	5,788
Total Revenues	<u>\$889,814</u>	<u>\$0</u>	<u>\$889,814</u>
Expenditures/Expenses			
Conservation			
Current	\$997,554	\$32,767	\$1,030,321
Capital outlay	22,884	(22,884)	0
Total Expenditures/Expenses	<u>\$1,020,438</u>	<u>\$9,883</u>	<u>\$1,030,321</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	(\$130,624)	(\$9,883)	(\$140,507)
Fund Balance/Net Assets January 1	<u>451,292</u>	<u>78,842</u>	<u>530,134</u>
Fund Balance/Net Assets December 31	<u><u>\$320,668</u></u>	<u><u>\$68,959</u></u>	<u><u>\$389,627</u></u>

Notes are an integral part of the basic financial statements.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

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

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$263,200	\$263,200	\$258,336	(\$4,864)
Local	0	0	0	0
Federal	0	0	0	0
State grant	895,794	895,794	536,043	(359,751)
Total intergovernmental	\$1,158,994	\$1,158,994	\$794,379	(\$364,615)
Charges for services	\$55,265	\$55,265	\$48,024	(\$7,241)
Miscellaneous				
Interest earnings	\$11,000	\$11,000	\$41,623	\$30,623
Other	2,150	2,150	5,788	3,638
Total miscellaneous	\$13,150	\$13,150	\$47,411	\$34,261
Total Revenues	\$1,227,409	\$1,227,409	\$889,814	(\$337,595)
Expenditures				
District operations				
Personnel services	\$483,229	\$483,229	\$467,964	\$15,265
Other services and charges	71,559	71,559	73,966	(2,407)
Supplies	2,300	2,300	2,902	(602)
Capital outlay	8,000	8,000	22,884	(14,884)
Total district operations	\$565,087	\$565,087	\$567,715	(\$2,628)
Project expenditures				
District	\$33,800	\$33,800	\$35,404	(\$1,604)
State	628,522	628,522	417,319	211,203
Total project expenditures	\$662,322	\$662,322	\$452,723	\$209,599
Total Expenditures	\$1,227,409	\$1,227,409	\$1,020,438	\$206,971
Excess of Revenues Over (Under)				
Expenditures	\$0	(\$0)	(\$130,624)	(\$130,624)
Fund Balance - January 1	\$297,128	\$297,128	\$451,292	\$0
Fund Balance - December 31	\$297,128	\$297,128	\$320,668	(\$130,624)

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2008**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$14,457.52
WETLAND MONEY	\$15,000.00
FEEDLOT MONEY	\$18,503.00
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (ISTS)	\$375.00
TOTAL	<u><u>\$258,335.52</u></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.

**DEFERRED REVENUE BREAKDOWN
2008**

Balance of BWSR Service Grants: \$25,876.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$285,951.19

Previous fiscal year \$197,236.44

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY06	06-05	34,390.00	3439.00
FY07	07-06	15,131.89	1463.19
FY08	08-06	11,250.00	1125.00
	08-07	45,500.00	4,500.00
	08-08	45,500.00	4,500.00
	08-11	4,000.00	1,000.00
	08-13	4,000.00	1,000.00
	08-22	1,200.00	300.00
	08-26	4,000.00	1,000.00
	08-27	3,696.00	924.00
	08-28	790.35	197.59
FY09	FY08-28	1,984.65	496.16
	FY09-06	4,000.00	1,000.00
FR08-01	08-01-05	74,400.00	13,129.37
	08-01-07	425.00	75.00
	08-01-08	170.00	30.00
	08-01-14	2663.18	469.97
	08-01-20	850.00	150.00
FR08-02	08-02-19	5,000.00	882.35
	08-02-21	1,500.00	264.71
	08-02-22	1,000.00	176.47
	08-02-24	2,125.00	375.00
	08-02-28	500.00	88.24
	08-02-29	2,000.00	352.94
	08-02-31	2,000.00	352.94
	08-02-32	5,000.00	882.35
FR08-03	08-03-05	800.00	200.00
	08-03-06	10,611.00	2,652.75

	08-03-07	4,550.00	1,137.50
	08-03-09	5,000.00	1,250.00
	08-03-10	1,000.00	250.00
	08-03-11	1,000.00	250.00
	08-03-14	8,500.00	2,125.00
	08-03-15	3,400.00	850.00
	08-03-16	850.00	212.50

Total of all Cost-Share Encumbrances \$355,889.10

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$0.00

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

LWP Challenge Grant \$64,780.00

Native Buffer Grant \$15,000.00

Subtotal of other funds: \$79,780.00

TOTAL OF ALL DEFERRED REVENUE: \$944,732.73

Capital Assets

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Threshold Adjustment	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2008 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation
Buildings	District Building		1997	35	\$ 109,407.00				\$ -	\$ 109,407.00	\$ 31,259.14	\$ 3,125.91	\$ -	\$ 34,385.05
Vehicles	2001 Chevy Pick-up		2001	7	\$ 30,193.00				\$ -	\$ 30,193.00	\$ 25,879.72	\$ 4,313.28	\$ -	\$ 30,193.00
	2004 Dodge Dakota		2004	7	\$ 12,958.00				\$ -	\$ 12,958.00	\$ 6,093.34	\$ 1,851.14	\$ -	\$ 7,944.48
	2002 Dodge Grand Caravan		2006	7	\$ 6,481.75				\$ -	\$ 6,481.75	\$ 1,851.92	\$ 925.96	\$ -	\$ 2,777.88
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75				\$ -	\$ 15,751.75	\$ 2,250.25	\$ 2,250.25	\$ -	\$ 4,500.50
	1995 Ford F-150 Pickup		2007	7	\$ 1,538.25			\$ 1,538.25	\$ -	\$ -	\$ 219.75	\$ 1,318.50	\$ 1,538.25	\$ -
Equipment, furniture and vehicles	Tree Planter		1952	15	\$ 500.00				\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00
	File Cabinets	Conservation	1988	10	\$ 600.00				\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00
	Tractor	Conservation	1994	15	\$ 5,500.00				\$ -	\$ 5,500.00	\$ 4,766.68	\$ 366.67	\$ -	\$ 5,133.35
	Wall Dividers & legs (4)		1988	10	\$ 800.00				\$ -	\$ 800.00	\$ 800.00	\$ -	\$ -	\$ 800.00
	2-way hand radios		1989	5	\$ 1,000.00				\$ -	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00
	Gopher Poisoning Machine		1990	15	\$ 1,350.00				\$ -	\$ 1,350.00	\$ 1,350.00	\$ -	\$ -	\$ 1,350.00
	Survey Level/Tripod/Survey Rod		1993	15	\$ 2,000.00				\$ -	\$ 2,000.00	\$ 1,866.66	\$ 133.33	\$ -	\$ 1,999.99
	Back-saver Soil Probe		1993	15	\$ 500.00				\$ -	\$ 500.00	\$ 466.66	\$ 33.33	\$ -	\$ 499.99
	Grass Seeder		1998	15	\$ 1,000.00				\$ -	\$ 1,000.00	\$ 600.00	\$ 66.67	\$ -	\$ 666.67
	Pressure transducer		1999	5	\$ 597.63				\$ -	\$ 597.63	\$ 836.69	\$ -	\$ -	\$ 836.69
	CR510 Dataloggers/software		1999	3	\$ 3,282.23				\$ -	\$ 3,282.23	\$ 3,282.23	\$ -	\$ -	\$ 3,282.23
	Display Board		1999	10	\$ 737.76				\$ -	\$ 737.76	\$ 590.21	\$ 73.78	\$ -	\$ 663.99
	Office Furniture		1999	10	\$ 9,153.68				\$ -	\$ 9,153.68	\$ 7,322.95	\$ 915.37	\$ -	\$ 8,238.32
	YSI 85/50 Ft Meter - DO, Temp, Conductivity		1999	10	\$ 1,454.83				\$ -	\$ 1,454.83	\$ 1,163.86	\$ 145.48	\$ -	\$ 1,309.34
	Tree Planter		2000	15	\$ 6,810.67				\$ -	\$ 6,810.67	\$ 3,178.31	\$ 454.04	\$ -	\$ 3,632.35
	ArcView 3.2 for Windows		2000	3	\$ 1,031.45				\$ -	\$ 1,031.45	\$ 1,031.45	\$ -	\$ -	\$ 1,031.45
	EPSON Stylus Pro 9000 Plotter		2000	7	\$ 8,350.90				\$ -	\$ 8,350.90	\$ 8,350.90	\$ -	\$ -	\$ 8,350.90
	DELL Computer w/accessories		2000	5	\$ 2,406.93				\$ -	\$ 2,406.93	\$ 2,406.93	\$ -	\$ -	\$ 2,406.93
	GPS Unit w/receiver		2000	5	\$ 6,107.78				\$ -	\$ 6,107.78	\$ 6,107.78	\$ -	\$ -	\$ 6,107.78
	Spatial Analyst for ArcView		2000	3	\$ 2,405.30				\$ -	\$ 2,405.30	\$ 2,405.30	\$ -	\$ -	\$ 2,405.30
	Karst Trunk		2000	10	\$ 4,444.00				\$ -	\$ 4,444.00	\$ 3,110.80	\$ 444.40	\$ -	\$ 3,555.20
	Office furniture (GIS Station)		2001	10	\$ 1,604.74				\$ -	\$ 1,604.74	\$ 962.84	\$ 160.47	\$ -	\$ 1,123.31
	Spatial Analysts extension for Arcview 8.1		2001	3	\$ 600.00				\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00
	ArcView 8.1		2001	3	\$ 600.00				\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00
	DELL Optiplex GX240 w/accessories		2002	4	\$ 763.00			\$ 763.00	\$ -	\$ -	\$ 763.00	\$ -	\$ 763.00	\$ -
	Ricoh 1035P Copier w/accessories		2002	7	\$ 5,349.00				\$ -	\$ 5,349.00	\$ 3,820.71	\$ 764.14	\$ -	\$ 4,584.85
	Desk Unit		2002	10	\$ 1,595.00				\$ -	\$ 1,595.00	\$ 797.50	\$ 159.50	\$ -	\$ 957.00
	Canon N676U Scanner		2002	5	\$ -				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00				\$ -	\$ 11,966.00	\$ 3,988.66	\$ 797.73	\$ -	\$ 4,786.39
	OrthoMapper		2003	3	\$ 2,517.00				\$ -	\$ 2,517.00	\$ 2,517.00	\$ -	\$ -	\$ 2,517.00
	DELL GIS Computer System		2003	5	\$ 1,455.00				\$ -	\$ 1,455.00	\$ 1,164.00	\$ 291.00	\$ -	\$ 1,455.00
	Eagle Point CAD Software		2005	3	\$ 600.00				\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00
	Auto CAD Software		2005	3	\$ 1,800.00				\$ -	\$ 1,800.00	\$ 1,800.00	\$ -	\$ -	\$ 1,800.00
	Laptop Computer HP H25		2005	5	\$ 1,300.00				\$ -	\$ 1,300.00	\$ 780.00	\$ 260.00	\$ -	\$ 1,040.00
	GPS Mobilemapper CE + Acces.		2005	3	\$ 4,659.99				\$ -	\$ 4,659.99	\$ 4,659.99	\$ -	\$ -	\$ 4,659.99
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00				\$ -	\$ 1,330.00	\$ 532.00	\$ 266.00	\$ -	\$ 798.00
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00				\$ -	\$ 1,330.00	\$ 532.00	\$ 266.00	\$ -	\$ 798.00
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00				\$ -	\$ 1,330.00	\$ 532.00	\$ 266.00	\$ -	\$ 798.00
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00				\$ -	\$ 1,330.00	\$ 532.00	\$ 266.00	\$ -	\$ 798.00
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ -		\$ 955.31	\$ -	\$ -	\$ 955.31	\$ -	\$ 191.06	\$ -	\$ 191.06
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ -		\$ 955.31	\$ -	\$ -	\$ 955.31	\$ -	\$ 191.06	\$ -	\$ 191.06
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ -		\$ 955.30	\$ -	\$ -	\$ 955.30	\$ -	\$ 191.06	\$ -	\$ 191.06
	Windows Vista w/visent		2008	3	\$ -		\$ 814.73	\$ -	\$ -	\$ 814.73	\$ -	\$ 271.58	\$ -	\$ 271.58
	Office Professional Plus		2008	3	\$ -		\$ 3,322.80	\$ -	\$ -	\$ 3,322.80	\$ -	\$ 1,107.60	\$ -	\$ 1,107.60
	ArcView		2008	3	\$ -		\$ 6,532.62	\$ -	\$ -	\$ 6,532.62	\$ -	\$ 2,177.54	\$ -	\$ 2,177.54
	Arc GIS Spatial Analyst		2008	3	\$ -		\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -	\$ 725.68	\$ -	\$ 725.68
	Arc GIS Publisher		2008	3	\$ -		\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -	\$ 725.68	\$ -	\$ 725.68
	Acrobat Pro/Endpoint protection Software		2008	3	\$ -		\$ 679.48	\$ -	\$ -	\$ 679.48	\$ -	\$ 226.49	\$ -	\$ 226.49
	Buffalo Terastation Pro II		2008	5	\$ -		\$ 1,059.66	\$ -	\$ -	\$ 1,059.66	\$ -	\$ 211.93	\$ -	\$ 211.93
	HP switch and Firewall Router		2008	5	\$ -		\$ 534.33	\$ -	\$ -	\$ 534.33	\$ -	\$ 106.87	\$ -	\$ 106.87
	HP CP2025 DN Printer & Tray		2008	5	\$ -		\$ 930.81	\$ -	\$ -	\$ 930.81	\$ -	\$ 186.16	\$ -	\$ 186.16
	Desk Unit		2008	10	\$ -		\$ 1,789.47	\$ -	\$ -	\$ 1,789.47	\$ -	\$ 178.95	\$ -	\$ 178.95
					\$ 276,492.64	\$ -	\$ -	\$ 22,883.92	\$ 2,301.25	\$ 297,075.31	\$ 144,473.24	\$ 26,406.64	\$ 2,301.25	\$ 168,578.61

Capital Assets 1/1/2008 12/31/2008
 \$ 276,492.70 \$ 297,075.31

Capital Assets

Class	Asset	Expenditure Function	Purchased/ Constructed	Useful Life	Beginning Balance	Threshold Adjustment	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2008 Depreciation	Exhibit 3	Ending Accumulated Depreciation
													<\$500 Deletion	
	Accumulated Depreciation	\$ 144,473.47	\$ 168,578.61											
	Net book value	<u>\$ 132,019.23</u>	<u>\$ 128,496.70</u>											
	Depreciation Expense		\$ 26,406.64											

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Fillmore 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 Fillmore 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 Fillmore 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 Fillmore 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.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

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

2. General Fixed 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 reported 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 paid time off (PTO) in varying amounts based on their length of service. PTO accrual varies from 3.69 to 10.17 hours per pay period. Upon termination from the District by retirement, employees are paid accrued PTO and up to 50% of accrued sick leave. Upon termination of employment by illness or death, employees are paid accrued PTO and up to 50% of accrued sick leave, up to a maximum of 800 hours combined 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, \$ N/A, exceeded budgeted expenditures, \$ N/A, by \$ N/A.

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 \$1,271,887.92, of which \$34,581.20 were cash deposits and \$1,237,306.72 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	\$132,019.23
Additions	\$ 22,883.92
Deletions	\$ 2,301.25
2008 depreciation	\$ 26,406.65
Balance December 31, 2008	\$128,496.76

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$168,578.61 as of December 31, 2008.

The District uses a threshold of \$500.00 for capitalizing assets purchased. Those physical assets under \$500 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Fillmore 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 \$944,732.73.

VI. FUND EQUITY ACCOUNTS

DEFINITIONS:

Fund Balance

The excess of the assets of a fund over its liabilities and reserves.

Designated for Compensated Absences

An account to segregate a portion of Fund Balance for expenditures to District employees for vested compensated absences accrued as outlined in the District's Personnel Policy Handbook.

Designated for Cash/Flow Operating Expenses

An account used to segregate a portion of fund balances to allow for a sufficient amount of cash to be available to meet operating expenses during the fiscal period without having to resort to temporarily borrowing between receipt of major revenue items and/or in absences of planned allocations and/or grants.

Designated for Capital Outlay

An account used to segregate a portion of fund balance for expenditures on capital outlay based on an approved "Long Range Plan-Equipment Investment Schedule."

DESIGNATION OF THE FUND BALANCE OF THE GENERAL FUND:

Total Fund Balance as of December 31, 2008:

DESIGNATION FOR COMPENSATED ABSENCES

The District Administrator will maintain a designation for compensated absences vested by employees on the official books and records of the District and shall annually adjust this designation so that it equals the sum on the General Fund's Compensated Absences liability as of December 31st. This amount also includes \$10,000.00 of self-insured unemployment insurance funds.

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

Balance January 1, 2008	\$53,177.45
Net Changes in Compensated Absences	\$ 6,360.09
Balance December 31, 2008	\$59,537.54

DESIGNATION OF CAPITAL OUTLAY

The District Administrator will maintain a Long-Range Equipment Needs Schedule approved by the Board of Supervisors. Fund Balance will be assigned to this account as it becomes available until sufficient funds are deposited to cover equipment purchases.

Designated Amount for Vehicle Purchase	\$19,033.87
Designated Amount for Equipment Replacement	\$ 3,607.55

DESIGNATION OF CASH FLOW/OPERATING EXPENSES

The Fillmore SWCD board of supervisors designated \$154,655.00 for Cash Flow/Operating Expenses.

Designated Amount for Cash Flow/operating Expenses	\$154,655.00
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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. Coordinated Plan members were required to contribute 6.0% of their annual covered salary in 2008. The District was required to contribute the following percentages of annual covered payroll: 6.5% for Coordinated Plan PERA members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2009. The District's employer share of contributions to PERA for the years ending December 31, 2008, 2007, and 2006 were \$22,059.80, \$18,831.91, and \$ 14,899.50 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 2008 were \$19,910.28.