

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 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (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 7 and 8) 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 SWCDs 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 nonfinancial 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 decreased slightly in 2009 from \$405,759 to \$400,289. In contrast, last year net assets decreased by \$150,407. 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

	<u>Governmental</u> <u>Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$1,217,596	\$1,279,238
Capital assets	\$ 129,896	\$ 150,949
Total assets	\$1,347,492	\$1,430,187
Long-term debt outstanding	\$ 58,208	\$ 59,538
Other liabilities	\$ 888,996	\$ 964,890
Total liabilities	\$ 947,203	\$1,024,428
Net assets		
Invested in capital assets,	\$ 129,896	\$ 150,949
Restricted	\$ 213,743	\$ 212,243
Unrestricted	\$ 56,650	\$ 42,567
Total net assets	\$ 400,289	\$ 405,759

Net assets of the SWCD governmental activities decreased by 1 percent (\$400,289 compared to \$405,759). 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 \$42,567 surplus on December 31, 2008 to a \$56,650 surplus at the end of this year.

This surplus in unrestricted governmental net assets arose primarily because of the following factors. Although total assets decreased by about \$66,000 in 2009, total liabilities were decreased more due to a reduction of \$65,000 in deferred revenues (as the result of more projects being completed which also provided more technical assistance and administrative funds to the SWCD), \$12,000 in salaries payable, and \$1,330 in compensated absences. The SWCD Board approved a personnel policy change in 2009 to gradually reduce the cap on accumulated Paid Time Off hours in order to reduce the balance in compensated absences. That policy will reduce the cap from 800 hours in 2008 to 400 hours by 2012.

TABLE 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for service	\$ 52,758	\$ 48,024
Local grants	\$ 30,000	\$ 0.00
State grants and entitlements	\$482,069	\$ 529,482
County Grants	\$272,316	\$ 258,336
Miscellaneous revenues		
Investment earnings	\$ 37,334	\$ 41,812
Other misc.	\$ 5,647	\$ 5,810
Federal entitlements		
Other general revenues		
Total revenues	\$880,124	\$ 883,464
Program expenses		
General government		
Conservation		
Current	\$859,085	\$ 956,557
Capital Outlay	\$ 6,787	\$ 51,283
Total expenses	\$865,872	\$1,007,840
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net assets	\$ 14,252	\$ (124,376)

The SWCD's total revenues (excluding special items) decreased by 0.4 percent (\$3,340). The total cost of all programs and services decreased significantly by \$141,968 in 2009 compared to 2008. Of that decrease, over \$44,000 can be attributed to a decrease in capital outlay, which totaled over \$51,000 in 2008 due to computer purchases (\$22,884) to set up a network separate from USDA and purchases of monitoring equipment (\$28,399) for the Root River Turbidity TMDL study. In contrast, capital outlay in 2009 totaled only \$6,787 for a new computer station (so that all the SWCD staff are now on the same network) and for needed maintenance for the SWCD's Conservation Building. In addition to the reduction in capital outlay in 2009, current conservation expenses decreased by over \$97,000 despite an increase of over \$53,000 in flood relief cost share paid out. Regular state cost share and feedlot water quality management cost share payments decreased by

about \$10,000 and \$180,000, respectively. The SWCD's allocation for regular state cost share was reduced from \$43,432 in FY09 to \$23,821 in FY10. There were no new state cost share funds available for feedlots in FY10.

Governmental Activities

Revenues for the SWCD governmental activities decreased by 0.4 percent (\$3,340) while total expenses decreased 14 percent (\$141,968). The increase in net assets for governmental activities widened to \$14,252 in 2009. This compares to a \$124,376 decrease in net assets in 2008.

The SWCD did have its county allocation cut by \$5,000 from what had been budgeted. Instead of \$215,000, the county allocation was \$210,000, which was the same as the amount received in 2008 and what is being budgeted for 2010. However, the SWCD has been taking opportunities to bring in more revenues through grants and contracts for additional services. For example, a contract with MPCA to monitor for bacteria at 15 of their 10X sites generated almost \$5,000 in income for the SWCD to help pay for staffing, fleet costs, and testing of the samples using the SWCD's certified lab. One move to reduce expenses was to purchase memory upgrades for four computers instead of replacing them as scheduled in 2009.

The cost of all governmental activities this year was \$865,872 compared to \$1,007,840 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, increased from \$835,842 in 2008 to \$837,143 in 2009 principally based on local and state grants. A \$47,000 decrease in state grants was offset in large part by a \$30,000 grant received for nutrient management planning, plus a slight increase in fees 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 (\$37,334) and other miscellaneous revenues (\$5,647).

THE SWCD's FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 7) reported a combined fund balance of \$400,289, which is slightly below last year's total of \$405,759. Included in this year's total change in fund balance, however, is a surplus of \$56,650 in the SWCD's General Fund. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted on pages 2 and 3.

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 were \$434,503 below the final budget amounts. However, the variance in expenditures was \$448,754 below the final budget, so there was still an excess of revenues over expenditures. The most significant variance in appropriations and expenditures (\$462,648 and \$424,994, respectively) occurred in the SWCD's state grants, mainly due to two large feedlot fixes which were not fully completed because of a wet fall and early winter

weather that delayed and shortened the construction season. In addition, although a large number of wells were sealed in the city of Rushford, the flood relief funds for that project were not paid out in 2009 as anticipated since some wells remain to be sealed and the paperwork from the contractor was not completed in order to get the payment out by the end of the year. The shortfalls in appropriations were also offset somewhat by an increase in local revenues and earnings from interest and other sources and by a decrease in personnel services due to two staffing vacancies during the year. The Board did not approve a cost of living increase for staff in 2009 or 2010 to slow the increase in expenses for personnel services. However, step increases were given as scheduled to all employees in recognition of the need to keep highly qualified and dedicated employees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the SWCD had \$129,896 invested in a broad range of capital assets, including a building, 3 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net decrease of just under \$27,839, or 18 percent, over last year.

Table 4
Capital Assets at Year-end

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Conservation Building	\$ 74,061	\$ 75,022
Equipment	\$ 55,835	\$ 75,927
	<u>\$129,896</u>	<u>\$150,949</u>

This year's major additions included:

Improvements to the Conservation Building	\$ 2,405
Computer station for Grazing Specialist	\$ 1,553
Office Professional Plus software renewal	<u>\$ 2,829</u>
	\$ 6,787

The SWCD's fiscal-year 2010 capital budget calls for it to spend another \$2000 for capital projects, principally for the replacement of its oldest computer, which is a laptop purchased in 2005 now used by the Nutrient Management Specialist. The SWCD has no plans to issue additional debt to finance these projects. Rather, we will use the SWCD's Equipment Replacement Fund. More detailed information about the SWCD's capital assets is presented in Note IV (page 19) to the financial statements.

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 compared with \$0 last year. Other obligations include accrued vacation pay and sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fillmore SWCD's elected officials considered many factors when setting the fiscal-year 2010 budget and fees that will be charged for the business-type activities. The local, state, and national economies are affecting SWCD funding from both the state and local level. In addition, the ag economy, especially for dairy producers, has been poor for over a year, which reduces interest in some conservation programs. As an example, interest in Challenge Grant cost share for grazing practices has been very low because of low beef and dairy prices. However, some producers who had been previously approved for EQIP or who see grazing as a way to improve profits are utilizing the free services of the SWCD's Grazing Specialist, Nutrient Management Specialist, and Feedlot Technician. Three feedlot runoff control projects have been approved for funding with a BWSR Clean Water Fund grant of \$194,000 which includes technical assistance funds. Most of the flood relief cost share projects are expected to be completed in 2010. The SWCD is actively seeking other sources of funding to offset any cuts from local or state sources. Two staff are partially funded through the Root River Turbidity TMDL grant. They will also be funded in part through a grant to MDA for a study BMP effectiveness in three small watersheds in the Root River watershed. Nitrate impairments on six stream segments will bring funding to the SWCD for staff to collect samples and to administer subcontracts to other entities that will collect and analyze data as part of a Comprehensive TMDL for the Root River. The SWCD Board approved two staff to renew their licensure as septic system inspectors to assist the county with new installations, which generates some revenue for the SWCD. The bacteria testing lab was certified in May of 2009, which is a service that can also generate income for the SWCD. Personnel services are the SWCD's largest expense and the expense that continues to rise. However, the SWCD is fortunate to have had only an 8% increase in health insurance premiums. Reducing the allowable cap on PTO accumulation will help to reduce the liability for compensated absences. Other sources of revenue in 2010 that had not been available in the past are \$4400 from a contribution agreement with NRCS and potential fees for Conservation Management Plans for the Rural Preserves Program. The Root River watershed is one of four watersheds in Minnesota selected for the Mississippi River Basin Healthy Watersheds Initiative which could bring additional federal funding into the watershed through EQIP, CSP, WHIP, and WREP. The SWCD will be an active participant in this funding proposal, although no technical assistance dollars are anticipated at this time.

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, 2009

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$1,192,008		\$1,192,008
Accounts receivable	17,502		17,502
Interest Receivable	6,586		6,586
Due from other governments	0		0
Prepaid items	1,500		1,500
Capital Assets:			
Equipment (net of accumulated depreciation)	<u> </u>	129,896	<u>129,896</u>
Total Assets	<u>\$1,217,596</u>	<u>\$129,896</u>	<u>\$1,347,492</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$0		\$0
Payroll tax payable	\$775		\$775
Sales tax payable	\$215		\$215
Salaries payable	8,282		8,282
Deferred revenue	879,725		879,725
Long-term liabilities:			0
Due within one year		0	0
Due after one year		<u>58,208</u>	<u>58,208</u>
Total Liabilities	<u>\$888,996</u>	<u>\$58,208</u>	<u>\$947,203</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$1,500	(\$1,500)	\$0
Unreserved			
Designated	212,242	(212,242)	0
Undesignated	<u>114,858</u>	<u>(114,858)</u>	<u>0</u>
Total Fund Balance	<u>\$328,600</u>	<u>(\$328,600)</u>	<u>\$0</u>
Net Assets			
Invested in capital assets		\$129,896	\$129,896
Designated Fund Balance		\$213,743	\$213,743
Unrestricted		<u>56,650</u>	<u>56,650</u>
Total Net Assets		<u>\$400,289</u>	<u>\$400,289</u>

Notes are an integral part of the basic financial statements.

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$784,385	\$0	\$784,385
Charges for services	52,758	0	52,758
Investment earnings	37,334	0	37,334
Miscellaneous	5,647	0	5,647
Total Revenues	\$880,124	\$0	\$880,124
Expenditures/Expenses			
Conservation			
Current	\$859,085	\$26,509	\$885,595
Capital outlay	6,787	(6,787)	0
Total Expenditures/Expenses	\$865,872	\$19,723	\$885,595
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$14,252	(\$19,723)	(\$5,471)
Fund Balance/Net Assets January 1	314,348	91,411	405,759
Fund Balance/Net Assets December 31	\$328,600	\$71,688	\$400,289

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, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$266,299	\$266,299	\$272,316	\$6,017
Local	33,944	33,944	30,000	(3,944)
Federal	0	0	0	0
State grant	944,717	944,717	482,069	(462,648)
Total intergovernmental	<u>\$1,244,960</u>	<u>\$1,244,960</u>	<u>\$784,385</u>	<u>(\$460,575)</u>
Charges for services	<u>\$52,516</u>	<u>\$52,516</u>	<u>\$52,758</u>	<u>\$242</u>
Miscellaneous				
Interest earnings	\$15,000	\$15,000	\$37,334	\$22,334
Other	2,150	2,150	5,647	3,497
Total miscellaneous	<u>\$17,150</u>	<u>\$17,150</u>	<u>\$42,981</u>	<u>\$25,831</u>
Total Revenues	<u>\$1,314,626</u>	<u>\$1,314,626</u>	<u>\$880,124</u>	<u>(\$434,503)</u>
Expenditures				
District operations				
Personnel services	\$507,961	\$507,961	\$497,718	\$10,243
Other services and charges	88,050	88,050	73,488	14,562
Supplies	4,300	4,300	4,150	150
Capital outlay	5,000	5,000	6,787	(1,787)
Total district operations	<u>\$605,311</u>	<u>\$605,311</u>	<u>\$582,143</u>	<u>\$23,168</u>
Project expenditures				
District	\$41,180	\$41,180	\$40,588	\$592
State	668,135	668,135	243,141	424,994
Total project expenditures	<u>\$709,315</u>	<u>\$709,315</u>	<u>\$283,729</u>	<u>\$425,587</u>
Total Expenditures	<u>\$1,314,626</u>	<u>\$1,314,626</u>	<u>\$865,872</u>	<u>\$448,755</u>
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$14,252	\$14,252
Fund Balance - January 1	<u>\$314,348</u>	<u>\$314,348</u>	<u>\$314,348</u>	<u>\$0</u>
Fund Balance - December 31	<u>\$314,348</u>	<u>\$314,348</u>	<u>\$328,600</u>	<u>\$14,252</u>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2009**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 18,893.47
WETLAND MONEY	\$ 15,000.00
FEEDLOT MONEY	\$ 17,750.00
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER -ISTS	\$ 10,672.45
TOTAL	<u><u>\$272,315.92</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
2009**

Balance of BWSR Service Grants: \$ 30,419.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 23,281.00

Previous fiscal year \$ 202,163.69

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY09	06-05	34,390.00	3,439.00
FY07	08-06	15,131.89	1,463.19
FY08	08-06	11,250.00	1,125.00
	08-08	45,500.00	4,500.00
	08-35	552.00	138.00
FY09	09-01	45,500.00	4,500.00
	09-02	45,500.00	4,500.00
	09-09	342.00	85.50
	09-10	750.00	187.50
	09-14	3,450.00	862.50
	09-16	1,800.00	450.00
	09-17	1,200.00	300.00
	09-18	1,000.00	250.00
	09-20	1,000.00	250.00
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	3,005.18	530.32
	08-01-20	850.00	150.00
FR08-02	08-02-19	5,000.00	882.35
	08-02-22	1,000.00	176.47
	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
	08-03-16	850.00	212.50
	08-03-26	8,368.50	2,092.13
	08-03-28	1,000.00	250.00
	08-03-24	8,041.00	2,010.25

Total of all Cost-Share Encumbrances		\$ 361,299.94
Balance of County WCA Funds:		\$0.00
Balance of County Water Plan Funds:		\$0.00
Balance of <u>other</u> funds being deferred (list if any):		
<u>LWP Challenge Grant</u>	\$ 51,658.49	
<u>Native Buffer Grant</u>	\$ 10685.14	
<u>BSWR CWL Grazing Specialist Grant</u>	\$109,988.38	
<u>BWSR CWL/SE JPB Nutrient Mgmt Specialist Grant</u>	\$ 90,229.21	
Subtotal of other funds:		\$262,561.22
TOTAL OF ALL DEFERRED REVENUE:		\$879,724.85

Capital Assets

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2009 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation
Buildings	District Building		1997	35	\$ 109,407.00	\$ -	\$ 2,405.22	\$ -	\$ 109,407.00	\$ -	\$ 3,125.91	\$ -	\$ 37,510.96
	District Building Updates		2009	10	\$ 2,405.22	\$ -	\$ -	\$ -	\$ 2,405.22	\$ -	\$ 240.52	\$ -	\$ 240.52
	2001 Chevy Pick-up		2001	7	\$ 30,193.00	\$ -	\$ -	\$ -	\$ 30,193.00	\$ 30,193.00	\$ -	\$ -	\$ 30,193.00
	2004 Dodge Dakota		2004	7	\$ 12,958.00	\$ -	\$ -	\$ -	\$ 12,958.00	\$ 7,944.48	\$ 1,851.14	\$ -	\$ 9,795.62
	2002 Dodge Grand Caravan		2006	7	\$ 6,481.75	\$ -	\$ -	\$ -	\$ 6,481.75	\$ 2,777.88	\$ 925.96	\$ -	\$ 3,703.84
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75	\$ -	\$ -	\$ -	\$ 15,751.75	\$ 4,500.50	\$ 2,250.25	\$ -	\$ 6,750.75
	furniture and vehicles												
Equipment,	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	\$ 5,133.35	\$ 366.65	\$ -	\$ 5,500.00
	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	\$ 2,000.00	\$ -	\$ -	\$ 2,000.00
	Back-saver Soil Probe		1993	15	\$ 500.00	\$ -	\$ -	\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00
	Grass Seeder		1998	15	\$ 1,000.00	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 666.67	\$ 66.67	\$ -	\$ 733.34
	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	\$ 663.99	\$ 73.77	\$ -	\$ 737.76
	Office Furniture		1999	10	\$ 9,153.68	\$ -	\$ -	\$ -	\$ 9,153.68	\$ 8,238.32	\$ 915.36	\$ -	\$ 9,153.68
	YSI 85/50 Ft Meter - DO, Temp, Conductivity		1999	10	\$ 1,454.83	\$ -	\$ -	\$ -	\$ 1,454.83	\$ 1,309.34	\$ 145.49	\$ -	\$ 1,454.83
	Tree Planter		2000	15	\$ 6,810.67	\$ -	\$ -	\$ -	\$ 6,810.67	\$ 3,632.35	\$ 454.04	\$ -	\$ 4,086.39
	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	\$ 3,555.20	\$ 444.40	\$ -	\$ 3,999.60
	Office furniture (GIS Station)		2001	10	\$ 1,604.74	\$ -	\$ -	\$ -	\$ 1,604.74	\$ 1,123.31	\$ 160.47	\$ -	\$ 1,283.78
	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
	Ricoh 1035P Copier w/accessories		2002	7	\$ 5,349.00	\$ -	\$ -	\$ -	\$ 5,349.00	\$ 4,584.86	\$ 764.14	\$ -	\$ 5,349.00
	Desk Unit		2002	10	\$ 1,595.00	\$ -	\$ -	\$ -	\$ 1,595.00	\$ 957.00	\$ 159.50	\$ -	\$ 1,116.50
	Canon N676J Scanner		2002	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00	\$ -	\$ -	\$ -	\$ 11,966.00	\$ 4,786.39	\$ 797.73	\$ -	\$ 5,584.12
OrthoMapper		2003	3	\$ 2,517.00	\$ -	\$ -	\$ -	\$ 2,517.00	\$ 2,517.00	\$ -	\$ -	\$ 2,517.00	
DELL GIS Computer System		2003	3	\$ 1,455.00	\$ -	\$ -	\$ -	\$ 1,455.00	\$ 1,455.00	\$ -	\$ -	\$ 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	\$ 1,040.00	\$ 260.00	\$ -	\$ 1,300.00	
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	\$ 798.00	\$ 266.00	\$ -	\$ 1,064.00	
HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00	\$ -	\$ -	\$ -	\$ 1,330.00	\$ 798.00	\$ 266.00	\$ -	\$ 1,064.00	
HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00	\$ -	\$ -	\$ -	\$ 1,330.00	\$ 798.00	\$ 266.00	\$ -	\$ 1,064.00	
HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00	\$ -	\$ -	\$ -	\$ 1,330.00	\$ 798.00	\$ 266.00	\$ -	\$ 1,064.00	
HP wx4600 w/HP L1950 Monitor		2008	5	\$ 955.31	\$ -	\$ -	\$ -	\$ 955.31	\$ 191.06	\$ 191.06	\$ -	\$ 382.12	
HP wx4600 w/HP L1950 Monitor		2008	5	\$ 955.31	\$ -	\$ -	\$ -	\$ 955.31	\$ 191.06	\$ 191.06	\$ -	\$ 382.12	
HP wx4600 w/HP L1950 Monitor		2008	5	\$ 955.31	\$ -	\$ -	\$ -	\$ 955.31	\$ 191.06	\$ 191.06	\$ -	\$ 382.12	
Windows Vista w/visent		2008	3	\$ 814.73	\$ -	\$ -	\$ -	\$ 814.73	\$ 271.58	\$ 191.06	\$ -	\$ 382.12	
Office Professional Plus		2008	3	\$ 3,322.80	\$ -	\$ -	\$ -	\$ 3,322.80	\$ 1,107.60	\$ 1,107.60	\$ -	\$ 543.16	
ArcView		2008	3	\$ 6,532.62	\$ -	\$ -	\$ -	\$ 6,532.62	\$ 2,177.54	\$ 2,177.54	\$ -	\$ 4,355.08	
Arc GIS Spatial Analyst		2008	3	\$ 2,177.05	\$ -	\$ -	\$ -	\$ 2,177.05	\$ 725.68	\$ 725.68	\$ -	\$ 1,451.36	
Arc GIS Publisher		2008	3	\$ 1,059.66	\$ -	\$ -	\$ -	\$ 1,059.66	\$ 226.49	\$ 226.49	\$ -	\$ 1,451.36	
Acrobat Pro/Endpoint protection Software		2008	3	\$ 679.48	\$ -	\$ -	\$ -	\$ 679.48	\$ 226.49	\$ 226.49	\$ -	\$ 452.98	
Buffalo Terastation Pro II		2008	5	\$ 534.33	\$ -	\$ -	\$ -	\$ 534.33	\$ 211.93	\$ 211.93	\$ -	\$ 423.86	
HP switch and Firewall Router		2008	5	\$ 930.81	\$ -	\$ -	\$ -	\$ 930.81	\$ 106.87	\$ 106.87	\$ -	\$ 213.74	
HP CP2025 DN Printer & Tray		2008	5	\$ 1,789.47	\$ -	\$ -	\$ -	\$ 1,789.47	\$ 186.16	\$ 186.16	\$ -	\$ 372.32	
Desk Unit		2008	10	\$ 22,792.31	\$ -	\$ -	\$ -	\$ 22,792.31	\$ 178.95	\$ 178.95	\$ -	\$ 357.90	
Turbidity Sensors & Cables	TMDL	2008	5	\$ 4,558.46	\$ -	\$ -	\$ -	\$ 4,558.46	\$ 4,558.46	\$ -	\$ -	\$ 9,116.92	
Data Logger & Software	TMDL	2008	3	\$ 937.98	\$ -	\$ -	\$ -	\$ 937.98	\$ 312.66	\$ 312.66	\$ -	\$ 625.32	
Site Mate Scouting Software	TMDL	2008	3	\$ 1,065.00	\$ -	\$ -	\$ -	\$ 1,065.00	\$ 355.00	\$ 355.00	\$ -	\$ 710.00	
Dell Latitude D630 laptop	TMDL	2008	5	\$ 1,747.76	\$ -	\$ -	\$ -	\$ 1,747.76	\$ 349.55	\$ 349.55	\$ -	\$ 699.10	
HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01	\$ -	\$ -	\$ -	\$ 845.01	\$ 169.00	\$ 169.00	\$ -	\$ 338.00	

Year End 12/31/2009

Capital Assets

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance		Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation		2009 Depreciation	Deletion	Ending Accumulated Depreciation	
					Balance	Adjusted Balance				2009	2009			<\$500	2009
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69	\$ -	\$ 942.53	\$ -	\$ 1,010.69	\$ 202.14	\$ 202.14	\$ -	\$ -	\$ 404.28	
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ -	\$ -	\$ 610.25	\$ -	\$ 942.53	\$ -	\$ 188.51	\$ -	\$ -	\$ 188.51	
	Office Pro Plus Software		2009	3	\$ -	\$ -	\$ 2,828.64	\$ -	\$ 610.25	\$ -	\$ 203.42	\$ -	\$ -	\$ 203.42	
	Office Professional Plus Renewal		2009	3	\$ -	\$ -	\$ -	\$ -	\$ 2,828.64	\$ -	\$ 942.88	\$ -	\$ -	\$ 942.88	
					\$ 325,474.06	\$ -	\$ 6,786.64	\$ -	\$ 332,260.70	\$ 174,525.42	\$ 27,839.31	\$ -	\$ -	\$ 202,364.74	

FY2008 Ending Fixed Asset Balance \$325,474.06
 FY2009 Additions \$ 6,786.64
 FY2009 Deletions \$ -
 \$332,260.70

Capital Assets	1/1/2009	12/31/2009
Accumulated Depreciation	\$ 325,474.06	\$ 332,260.70
Net book value	\$ 174,525.42	\$ 202,364.74
	\$ 150,948.64	\$ 129,895.96

Depreciation Expense \$ 27,839.31

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 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 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, employees are paid accrued vacation and up to 50% hours of accrued sick leave, up to a maximum of 700 hours as of December 31, 2009.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

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

B. Excess of Expenditures Over Budget

During 2009, actual expenditures, \$ N/A, exceeded budgeted expenditures, \$ N/A, by \$ N/A.

C. Uncollateralized deposits

During 2009, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2009, the District's deposits totaled \$1,192,007.66, of which \$6,812.24 were cash deposits and \$1,185,195.42 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2009, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2009	\$150,948.64
Additions	\$ 6,786.64
Deletions	\$ 0.00
2009 depreciation	\$ 27,839.31
Balance December 31, 2009	\$129,895.96

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$202,364.74 as of December 31, 2009.

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

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and 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 \$879,724.85.

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 Capitol 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, 2009:

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, 2009 are:

Balance January 1, 2009	\$59,537.54
Net Changes in Compensated Absences	\$(1,329.92)
Balance December 31, 2009	\$58,207.62

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 for Vehicle Purchase	\$19,033.87
Designated Amount for Equipment Replacement	\$ 395.36

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 Intergovernmental Trust. The District is covered for errors and omissions through Minnesota Counties Intergovernmental 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%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$24,869.67, \$22,059.80, and \$18,831.91 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2009 were \$18,378.72.