

**GRANT SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

December 31, 2011

TABLE OF CONTENTS

FINANCIAL SECTION	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures And Changes In Fund Balance	8
Budgetary Comparison Statement, Budget and Actual, General Fund	9
Notes to Financial Statements	10-15
ADDITIONAL REPORTS	
Report on Legal Compliance	16
Report on Internal Control Over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	17-18

JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

44 West First Street, Waconia, MN 55387 Office: 952-442-4807 Fax: 952-442-6888

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Grant Soil and Water Conservation District
Elbow Lake, Minnesota

I have audited the accompanying financial statements of the governmental activities and the General fund of the Grant Soil and Water Conservation District, Elbow Lake, 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 Grant Soil and Water Conservation District, Elbow Lake, 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 October 15, 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.



JAMES MAISER

Certified Public Accountant and Consultant

October 15, 2012
Waconia, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) GRANT SWCD – 2011

OVERVIEW

The SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31st, 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 SWCD's financial statements and the Notes to the Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements for governmental activities 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. Grant SWCD has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the SWCD's finances is, "Is the SWCD as 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.

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, along with the self-generated funds from the sale of trees and tree planting.

Reporting the SWCD's General Fund - Fund Financial Statements

The fund financial statements provide detailed information about the general fund - not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources

that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE SWCD AS A WHOLE

The SWCD's combined net assets were higher, increasing from \$235,283 in 2010 to \$316,724 in 2011 (\$81,442 increase). Our analysis below focuses on the net assets and changes in net assets of the SWCD's governmental activities.

Net Assets	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 285,442	\$ 365,457
Capital assets	<u>0</u>	<u>0</u>
Total assets	\$ 285,442	\$ 365,457
Long-term liabilities	\$ 23,874	\$ 19,886
Current liabilities	<u>26,285</u>	<u>28,847</u>
Total liabilities	\$ 50,159	\$ 48,733
Net assets		
Invested in capital assets	\$ 0	\$ 0
Unrestricted	<u>\$ 235,283</u>	<u>\$ 316,724</u>
Total net assets	\$ 235,283	\$ 316,724

Net assets of the SWCD governmental activities increased to \$316,724 compared to \$235,283 in 2010 or 34.5 percent due largely in part from the Clean Water Fund (CWF) grant the District received. 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 \$235,283 at December 31st, 2010 to \$316,724 at the end of this year.

Change in Net assets	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 26,236	\$ 11,219
Intergovernmental	210,938	285,272
Investment earnings	2,353	1,310
Other revenue	<u>14,960</u>	<u>8,060</u>
Total revenues	\$ 254,487	\$ 305,861
Program expenses		
Conservation	<u>\$ 232,041</u>	<u>\$ 224,420</u>
Increase (decrease) in net assets	\$ 22,446	\$ 81,441

The SWCD's total revenues increased \$51,374 or by twenty percent. The total cost of District programs and services decreased by \$7,621 or by a minimal percent. No new programs were added this year.

Governmental Activities

Revenues *excluding* the sale of trees and tree planting for the SWCD governmental activities increased by 29.0 percent (\$66,391) from 2010, and total expenses decreased 1.75 percent (\$3,823). While 2011 was a "down" year for the sale of the trees, the District still needs to change their focus in order to replace that lost income.

THE SWCD's FUNDS

As the SWCD completed the year, its general fund, as presented a combined fund balance of \$336,610 which is above last year's total of \$259,157. Included in this year's total change in fund balance, is a surplus of \$77,453 in the SWCD's General Fund.

General Fund Budgetary Highlights

The Board made a motion at the October 27th, 2011 meeting to adopt the 2012 proposed budget. We did not ask for an increase from the County for our monthly allocation for 2012. We received \$79,940 in 2011.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets - At the end of 2011, the SWCD had \$ 0.00 invested in capital assets, however, a 1992 GMC pickup, a 1988 Chevrolet pickup, a tree planter and a 2001 Polaris ATV are still property of the SWCD along with various office equipment which has all been depreciated off the schedule.

Long-Term Liabilities - The SWCD's long-term obligations include accrued vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected officials considered many factors when setting the fiscal-year 2012 budget and fees that will be charged. These factors included the consumer price index, county levy and property valuations. There was no change to the SWCD fee structure.

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 Mary

Jo Knutson at the Grant SWCD office, 712 Industrial Park Blvd, Elbow Lake, MN 56531 or telephone at (218) 685-5395 or e-mail at MaryJo.Knutson@mn.nacdnet.net.

GRANT SOIL AND WATER CONSERVATION DISTRICT
ELBOW LAKE, 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	\$ 365,457	\$ -	\$ 365,457
Total Assets	\$ 365,457	\$ -	\$ 365,457
<u>Liabilities</u>			
Current liabilities:			
Deferred Revenue	\$ 28,847	\$ -	\$ 28,847
Long-term liabilities:			
Due with in one year	-	19,886	19,886
Total Liabilities	\$ 28,847	\$ 19,886	\$ 48,733
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unassigned	336,610	(336,610)	-
Total Fund Balance	\$ 336,610	\$ (336,610)	\$ -
Net Assets			
Unrestricted		316,724	316,724
Total Net Assets		\$ 316,724	\$ 316,724

GRANT SOIL AND WATER CONSERVATION DISTRICT
ELBOW LAKE, 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	\$ 285,272	\$ -	\$ 285,272
Charges for services	11,219	-	11,219
Investment earnings	1,310	-	1,310
Miscellaneous	8,060	-	8,060
Total Revenues	<u>\$ 305,861</u>	<u>\$ -</u>	<u>\$ 305,861</u>
Expenditures/Expenses			
Conservation			
Current	\$ 228,408	\$ (3,988)	\$ 224,420
Total Expenditures/Expenses	<u>\$ 228,408</u>	<u>\$ (3,988)</u>	<u>\$ 224,420</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 77,453</u>	<u>\$ 3,988</u>	<u>\$ 81,441</u>
Fund Balance/Net Assets January 1	<u>\$ 259,157</u>	<u>\$ (23,874)</u>	<u>\$ 235,283</u>
Fund Balance/Net Assets December 31	<u><u>\$ 336,610</u></u>	<u><u>\$ (19,886)</u></u>	<u><u>\$ 316,724</u></u>

Notes are an integral part of the basic financial statements.

GRANT SOIL AND WATER CONSERVATION DISTRICT
ELBOW LAKE, MINNESOTA

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

	Original/Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 107,736	\$ 108,278	\$ 542
State Grant	84,038	176,994	92,956
Total intergovernmental	<u>\$ 191,774</u>	<u>\$ 285,272</u>	<u>\$ 93,498</u>
Charges for services	<u>\$ 13,000</u>	<u>\$ 11,219</u>	<u>\$ (1,781)</u>
Miscellaneous			
Investment earnings	\$ 5,000	\$ 1,310	\$ (3,690)
Other	14,000	8,060	(5,940)
Total miscellaneous	<u>\$ 19,000</u>	<u>\$ 9,370</u>	<u>\$ (9,630)</u>
Total Revenues	<u>\$ 223,774</u>	<u>\$ 305,861</u>	<u>\$ 82,087</u>
Expenditures			
District operations			
Personnel services	\$ 194,250	\$ 194,797	\$ (547)
Other services and charges	15,000	12,840	2,160
Supplies	250	-	250
Capital outlay	5,000	-	5,000
Total district operations	<u>\$ 214,500</u>	<u>\$ 207,637</u>	<u>\$ 6,863</u>
Project expenditures			
District	\$ 9,000	\$ 8,241	\$ 759
State	250	12,530	(12,280)
Total project expenditures	<u>\$ 9,250</u>	<u>\$ 20,771</u>	<u>\$ (11,521)</u>
Total Expenditures	<u>\$ 223,750</u>	<u>\$ 228,408</u>	<u>\$ (4,658)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 24</u>	<u>\$ 77,453</u>	<u>\$ 77,429</u>
Fund Balance - January 1	<u>\$ 259,157</u>	<u>\$ 259,157</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 259,181</u>	<u>\$ 336,610</u>	<u>\$ 77,429</u>

Notes are an integral part of the basic financial statements.

**GRANT 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 Grant 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 Grant 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 Grant 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 Grant 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

GRANT 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:

GRANT 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.

GRANT 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 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 240 hours and the limit on sick leave is 720 hours. Upon termination of employment from the district, employees are paid accumulated annual leave and one half 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. To cover these risks, the District has purchased commercial insurance. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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	\$11,353	\$ 0	\$ 0	\$11,353
Less: Accumulated Depreciation	<u>11,353</u>	0	0	<u>11,353</u>
Net Capital Assets	<u>\$ 0</u>			<u>\$ 0</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.

The district uses the threshold of \$2,500 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, \$4,909; BWSR Cost Share Programs, \$14,732; Mustinka Watershed CWF, \$9,206; Total \$28,847

**GRANT 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	\$23,874
Net Change in Compensated Absences	<u>(3,988)</u>
Balance December 31, 2011	<u>\$19,886</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 \$365,457, of which \$183,272 were cash deposits and \$182,185 was invested in bank certificate of 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 \$9,130, \$7,978, and \$7,759 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

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 \$228,408; Budget \$223,750; Excess \$4,658.

Note 5 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement, total costs for 2011 were \$6,121.

Note 6– Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$ 259,157
Plus: Excess of Revenue Over Expenditures	<u>77,453</u>
Governmental Fund Balance, December 31	<u>\$ 336,610</u>
Adjustments from Fund Balance to Net Assets:	
Less: Long Term Liabilities	<u>(19,886)</u>
Net Assets	<u>\$ 316,724</u>

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

Change in fund balance	\$77,453
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>3,988</u>
Net change in net assets	<u>\$81,441</u>

JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

44 West First Street, Waconia, MN 55387 Office: 952-442-4807 Fax: 952-442-6888

REPORT ON LEGAL COMPLIANCE

Board of Supervisors
Grant Soil and Water Conservation District
Elbow Lake, Minnesota

I have audited the accompanying financial statements of the governmental activities, and the General fund of the Grant Soil and Water Conservation District, Elbow Lake, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued my report thereon dated October 15, 2012.

My audit was made in accordance with auditing standards generally accepted in the United States of America and provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as I considered necessary in the circumstances.

The Legal Compliance Audit Guide for Political Subdivisions covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. My study included all of the listed categories except public indebtedness. The public indebtedness category was not tested because the District is not allowed to issue debt.

The results of my test indicate that for the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the District, Board of Water and Soil Resources, State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



JAMES MAISER
Certified Public Accountant and Consultant

October 15, 2012
Waconia, Minnesota

**JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT**

44 West First Street, Waconia, MN 55387 Office: 952-442-4807 Fax: 952-442-6888

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Supervisors
Grant Soil and Water Conservation District
Elbow Lake, Minnesota

I have audited the financial statements of the governmental activities, and the General fund of the Grant Soil and Water Conservation District as of and for the year ended December 31, 2011, and have issued my report thereon dated October 15, 2012. I conducted my 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.

Internal Control

In planning and performing my audit of the financial statements of the governmental activities, and the General fund of the Grant Soil and Water Conservation District, Elbow Lake, Minnesota as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Soil and Water Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and others within the organization and the Board of Supervisors, Board of Water and Soil Resources, State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



JAMES MATISER
Certified Public Accountant and Consultant

October 15, 2012
Waconia, Minnesota