

SOUTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT  
DULUTH, MINNESOTA

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2010

|   | General<br>Fund         | Adjustments<br>See Notes | Statement of<br>Net Assets |
|---|-------------------------|--------------------------|----------------------------|
| <b><u>Assets</u></b>                        |                         |                          |                            |
| Cash and investments                        | \$315,197               |                          | \$315,197                  |
| Accounts receivable                         |                         |                          | \$0                        |
| Due from other governments                  | \$15,000                |                          | \$15,000                   |
| Prepaid items                               | \$1,305                 |                          | \$1,305                    |
| Capital Assets:                             |                         |                          |                            |
| Equipment (net of accumulated depreciation) |                         | \$10,226                 | \$10,226                   |
| <b>Total Assets</b>                         | <b><u>\$331,503</u></b> | <b><u>\$10,226</u></b>   | <b><u>\$341,729</u></b>    |
| <b><u>Liabilities</u></b>                   |                         |                          |                            |
| Current liabilities:                        |                         |                          |                            |
| Accounts payable                            | \$0                     |                          | \$0                        |
| Salaries payable                            | \$1,939                 |                          | \$1,939                    |
| Deferred revenue                            | \$147,864               |                          | \$147,864                  |
| Long-term liabilities:                      |                         |                          | \$0                        |
| Due within one year                         | \$1,600                 | \$1,973                  | \$3,572                    |
| Due after one year                          |                         |                          | \$0                        |
| <b>Total Liabilities</b>                    | <b><u>\$151,403</u></b> | <b><u>\$1,973</u></b>    | <b><u>\$153,376</u></b>    |
| <b><u>Fund Balance/Net Assets</u></b>       |                         |                          |                            |
| Fund Balance/Net Assets                     |                         |                          |                            |
| Reserved for prepaid items                  |                         | \$0                      | \$0                        |
| Unreserved                                  |                         |                          |                            |
| Designated for future projects              |                         | \$0                      | \$0                        |
| Undesignated                                | \$180,099               | -\$180,099               | \$0                        |
| <b>Total Fund Balance</b>                   | <b><u>\$180,099</u></b> | <b><u>-\$180,099</u></b> | <b><u>\$0</u></b>          |
| Net Assets                                  |                         |                          |                            |
| Invested in capital assets                  |                         | \$10,226                 | \$10,226                   |
| Unrestricted                                |                         | \$178,127                | \$178,127                  |
| <b>Total Net Assets</b>                     |                         | <b><u>\$188,353</u></b>  | <b><u>\$188,353</u></b>    |

Notes are an integral part of the basic financial statements.

SOUTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT  
DULUTH, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | General<br>Fund                | Adjustments<br>See Notes     | Statement of<br>Activities     |
|--|--------------------------------|------------------------------|--------------------------------|
| <b>Revenues</b>                            |                                |                              |                                |
| Intergovernmental                          | \$150,091                      | \$0                          | \$150,091                      |
| Charges for services                       | \$71,033                       | \$0                          | \$71,033                       |
| Investment earnings                        | \$1,201                        | \$0                          | \$1,201                        |
| Miscellaneous                              | \$2,525                        | \$0                          | \$2,525                        |
| <b>Total Revenues</b>                      | <b><u>\$224,851</u></b>        | <b><u>\$0</u></b>            | <b><u>\$224,851</u></b>        |
| <b>Expenditures/Expenses</b>               |                                |                              |                                |
| Conservation                               |                                |                              |                                |
| Current                                    | \$235,950                      | \$1,249                      | \$237,199                      |
| Capital outlay                             | \$2,033                        | -\$2,033                     | \$0                            |
| <b>Total Expenditures/Expenses</b>         | <b><u>\$237,983</u></b>        | <b><u>-\$784</u></b>         | <b><u>\$237,199</u></b>        |
| <b>Excess of Revenues Over (Under)</b>     |                                |                              |                                |
| <b>Expenditures/Expenses</b>               | <b><u>-\$13,132</u></b>        | <b><u>\$784</u></b>          | <b><u>-\$12,348</u></b>        |
| <b>Fund Balance/Net Assets January 1</b>   | <b><u>\$193,232</u></b>        | <b><u>\$7,469</u></b>        | <b><u>\$200,701</u></b>        |
| <b>Fund Balance/Net Assets December 31</b> | <b><u><u>\$180,099</u></u></b> | <b><u><u>\$8,253</u></u></b> | <b><u><u>\$188,353</u></u></b> |

Notes are an integral part of the basic financial statements.

SOUTH ST. LOUIS SOIL AND WATER CONSERVATION DISTRICT  
DULUTH, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2010

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive (Neg)</u> |
|--|----------------------------|-------------------------|------------------|--|
| <b>Revenues</b>                        |                            |                         |                  |  |
| <b>Intergovernmental</b>               |                            |                         |                  |  |
| County                                 | \$85,000                   | \$85,000                | \$88,750         | \$3,750  |
| Local                                  | \$0                        | \$0                     | \$0              | \$0  |
| Federal                                | \$0                        | \$0                     | \$732            | \$732  |
| State grant                            | \$216,099                  | \$216,099               | \$60,610         | -\$155,489   |
| <b>Total intergovernmental</b>         | <b>\$301,099</b>           | <b>\$301,099</b>        | <b>\$150,091</b> | <b>-\$151,008</b>  |
| <b>Charges for services</b>            | <b>\$69,150</b>            | <b>\$69,150</b>         | <b>\$71,033</b>  | <b>\$1,883</b>   |
| <b>Miscellaneous</b>                   |                            |                         |                  |  |
| Interest earnings                      | \$2,500                    | \$2,500                 | \$1,201          | -\$1,299   |
| Other                                  | \$7,619                    | \$7,619                 | \$2,525          | -\$5,094   |
| <b>Total miscellaneous</b>             | <b>\$10,119</b>            | <b>\$10,119</b>         | <b>\$3,727</b>   | <b>-\$6,392</b>  |
| <b>Total Revenues</b>                  | <b>\$380,368</b>           | <b>\$380,368</b>        | <b>\$224,851</b> | <b>-\$155,517</b>  |
| <b>Expenditures</b>                    |                            |                         |                  |  |
| <b>District operations</b>             |                            |                         |                  |  |
| Personnel services                     | \$171,381                  | \$171,381               | \$145,096        | \$26,285   |
| Other services and charges             | \$39,323                   | \$39,323                | \$31,603         | \$7,720  |
| Supplies                               | \$2,800                    | \$2,800                 | \$3,510          | -\$710   |
| Capital outlay                         | \$2,000                    | \$2,000                 | \$2,033          | -\$33  |
| <b>Total district operations</b>       | <b>\$215,504</b>           | <b>\$215,504</b>        | <b>\$182,242</b> | <b>\$33,262</b>  |
| <b>Project expenditures</b>            |                            |                         |                  |  |
| District                               | \$30,000                   | \$30,000                | \$34,970         | -\$4,970   |
| State                                  | \$134,864                  | \$134,864               | \$20,770         | \$114,094  |
| <b>Total project expenditures</b>      | <b>\$164,864</b>           | <b>\$164,864</b>        | <b>\$55,741</b>  | <b>\$109,123</b>   |
| <b>Total Expenditures</b>              | <b>\$380,368</b>           | <b>\$380,368</b>        | <b>\$237,983</b> | <b>\$142,385</b>   |
| <b>Excess of Revenues Over (Under)</b> |                            |                         |                  |  |
| <b>Expenditures</b>                    | <b>\$0</b>                 | <b>\$0</b>              | <b>-\$13,132</b> | <b>-\$13,132</b>   |
| <b>Fund Balance - January 1</b>        | <b>\$0</b>                 | <b>\$0</b>              | <b>\$193,232</b> | <b>\$193,232</b>   |
| <b>Fund Balance - December 31</b>      | <b>\$0</b>                 | <b>\$0</b>              | <b>\$180,099</b> | <b>\$180,099</b>   |

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE  
2010**

COUNTY REVENUES (breakdown):

|                   |                  |
|-------------------|------------------|
| ANNUAL ALLOCATION | \$ 60,000        |
| WATER PLAN MONEY  | \$ 8,750         |
| WETLAND MONEY     | \$ 20,000        |
| FEEDLOT MONEY     | \$ 0             |
| ABANDONED WELL    | \$ 0             |
| DNR SHORELAND     | \$ 0             |
| OTHER (specify)   | \$ 0             |
| <br>              |                  |
| TOTAL             | <u>\$ 88,750</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.

No other support



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the South St. Louis 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 South St. Louis 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 Saint Louis County because, even though the County provides some 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 South St. Louis 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 is 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. Other revenue is 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 non-exchange 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.

Fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

##### 2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

##### 3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Reserved fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

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

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

F. Explanation of Adjustments Column in Statements

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

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from four to eight hours per bi-weekly pay period. Sick leave accrual is four hours per bi-weekly pay period. The limit on the accumulation and carry over to the next calendar year of annual leave is 240 hours. There is no limit on the accumulation of sick leave. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 20 hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 20 hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

South St. Louis SWCD did not have a General Fund Deficit at December 31, 2010

B. Excess of Expenditures Over Budget

South St. Louis SWCD did not have Excess Expenditures over Budget at December 31, 2010.

C. Uncollateralized deposits

During 2010, 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, 2010, the District's deposits totaled **\$315,197.27**, of which **\$206,352.01** was cash deposits and **\$108,845.26** was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2010, 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, 2010   | \$10,997 |
| Additions                 | \$2,033  |
| Deletions                 | \$1057   |
| 2010 depreciation         | \$2,784  |
| Balance December 31, 2010 | \$10,226 |

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$6,830 as of December 31, 2010.

The District uses a threshold of \$200 for capitalizing assets purchased. Those physical assets under \$200 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and other various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$147,864

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2010 are:

|                                     |            |
|-------------------------------------|------------|
| Balance January 1, 2010             | \$3,508    |
| Net Changes in Compensated Absences | (\$1,535)  |
| Balance December 31, 2010           | \$1,972.71 |

## 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 (MCIT). The District is covered for errors and omissions through MCIT.

The MCIT 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. The District was required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2010, 2009, and 2008 were \$7,777.48, \$8,469, and \$10,134 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 2010 were \$10,436.04. The District office lease is with ISD #709. The lease runs through June 30, 2012.

**South St. Louis Soil & Water Conservation District  
For the Year ended December 31, 2010**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The South St. Louis SWCD’s discussion and analysis provides an overview of the SWCD’s financial activities for the fiscal year ended 2010. Since this information is designed to focus on the 2010 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 provide information about the activities of the South St. Louis Soil & Water Conservation District as a whole and present a longer-term view of the SWCD’s finances. 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 Soil & Water Conservation Districts are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. South St. Louis 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 South St. Louis SWCD’s finances is, “Is the South St. Louis 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 2010’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the South St. Louis 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 South St. Louis 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 South St. Louis 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 SOUTH ST LOUIS SWCD AS A WHOLE

The South St. Louis SWCD's combined net assets decreased at the end 2010 to **\$188,353** compared to \$200,701 at the end of 2009. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the South St. Louis SWCD's governmental and business-type activities.

**Table 1**  
**Net Assets**

|  | <u>Governmental Activities</u> |                  |
|--|--------------------------------|------------------|
|  | <u>2009</u>                    | <u>2008</u>      |
| Current and other assets                   | \$331,503                      | \$316,220        |
| Capital assets                             | \$10,226                       | \$10,997         |
| Total assets                               | <b>\$341,729</b>               | <b>\$327,198</b> |
| Long-term debt outstanding                 | \$1,973                        | \$3,508          |
| Other liabilities                          | \$151,403                      | \$122,989        |
| Total liabilities                          | <b>\$153,376</b>               | <b>\$126,467</b> |
| Net assets                                 |                                |                  |
| Invested in capital assets,<br>net of debt | \$10,226                       | \$10,977         |
| Restricted                                 |                                |                  |
| Unrestricted                               | \$178,127                      | \$189,724        |
| Total net assets                           | <b>\$188,353</b>               | <b>\$200,701</b> |

At the end of 2010 net assets of the South St. Louis SWCD governmental activities decreased by \$12,348. 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 \$189,724 surplus at December 31, 2009 to a \$178,127 surplus at the end of this year. Much of this surplus can be attributed to a SWCD staff vacancy in 2010, and conservative fiscal decisions because of the overall condition of the economy.

**TABLE 2**  
**Changes in Net Assets**

|  | <u>Governmental Activities</u> |                 |
|--|--------------------------------|-----------------|
|  | <u>2010</u>                    | <u>2009</u>     |
| <b>Revenues</b>                          |                                |                 |
| Program revenues:                        |                                |                 |
| Charges for service                      | \$71,033                       | \$58,002        |
| County                                   | \$88,750                       | \$85,000        |
| State grants and entitlements            | \$60,610                       | \$162,043       |
| General revenues                         |                                |                 |
| Other general revenues                   | \$4,459                        | \$30,651        |
| Total revenues                           | \$224,851                      | \$335,696       |
| <b>Program expenses</b>                  |                                |                 |
| General government                       |                                |                 |
| Conservation                             | \$237,983                      | \$263,629       |
| Total expenses                           | \$237,983                      | \$263,629       |
| <b>Increase (decrease) in net assets</b> | <b>(\$13,132)</b>              | <b>\$72,067</b> |

At the end of 2010 South St. Louis SWCD's total revenues decreased by \$110,845 compared to 2009. This decrease is due in part to the following: the elimination of the partnership with the State of Minnesota to implement the Construction Stormwater Program, the completion of the Knife River TMDL study, and the reduction of the BWSR General Service Grant. There was also \$147,864 deferred to 2011, meaning the SWCD

received significant amounts of money in 2010 that were not recognized as 2010 revenue. The total cost of all programs and services decreased by \$25,646 in 2010. This was largely due to an unfilled position for half of the year.

**Governmental Activities**

The cost of all governmental activities this year was \$237,983 compared to \$263,629 last year. The South St. Louis SWCD does not collect any tax revenue directly from tax payers. However, taxpayers ultimately financed most of these activities through taxes collected by other agencies. The major exception is expenses for the tree and shrub sale (\$28,970) are paid entirely by customers that purchase trees or shrubs. Of course many of these customers are ultimately taxpayers, but these customers choose to participate in the program and derive benefit from the purchase of trees and shrubs.

**THE SOUTH ST. LOUIS SOIL & WATER CONSERVATION DISTRICT’S FUNDS**

As the South St. Louis SWCD completed the year, its general fund reported a combined fund balance of \$180,099 which is below last year’s total of \$193,232.

**General Fund Budgetary Highlights**

Over the course of the year, the South St. Louis SWCD Board of Supervisors did not revise the SWCD’s budget. The Budget approved on January 20, 2010 was used by management for the entirety of 2010.

The actual charges to appropriations (expenditures) were \$142,385 less than the final budget amounts. A significant variance (\$26,285) occurred in the SWCD’s Personnel Services account, where a vacancy in the Conservation Specialist resulted in a 33 percent reduction SWCD workforce. Other major factors contributing to less spending than budgeted is just a matter of timing. Two projects, CWLA Miller Jumbo Gully \$59,332 and BWSR CWF Knife River \$64,752, were not completed in 2010. Much of the funds associated with these projects will be recognized as revenue in 2011.

On the other hand, resources available for appropriation (revenue) were \$155,517 below the final budgeted amount. The most significant variance (\$155,489) occurred in the State Grant account. Potential revenue in this account has been deferred to 2011 as explained above. Overall, having less revenue available than budgeted is not a negative factor impacting the SWCD’s general fund significantly, because the budget deficit is mainly due to revenues being deferred to 2011.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2009, the South St. Louis SWCD had \$10,977 invested in capital assets, including a van, computers, furniture and other equipment. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$1,932 over last year.

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

|           | <u>Governmental<br/>Activities</u> |             |
|-----------|------------------------------------|-------------|
|           | <u>2010</u>                        | <u>2009</u> |
| Equipment | \$10,226                           | \$10,977    |

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The South St. Louis SWCD's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget. The budget is set primarily by analyzing anticipated revenues and required expenditures to complete SWCD projects and goals. The current state budget deficit will be a factor in completing the 2011 budget.

## **CONTACTING THE SOUTH ST LOUIS SWCD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, with a general overview of the South St. Louis 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 the SWCD at:

South St. Louis Soil & Water Conservation District  
215 North 1<sup>st</sup> Ave East  
Room 301  
Duluth, MN 55802  
(218) 723-4867  
[www.southstlouisswcd.org](http://www.southstlouisswcd.org)

*SOUTH ST. LOUIS SWCD Capital Assets*

| Class                                | Asset               | Expenditure<br>Function | Purchased/<br>Constructed | Useful<br>Life | Adjusted<br>Balance | Beginning |           |                             |                      |          | Ending<br>Balance | Asset<br>Balance |                                       |           |
|--------------------------------------|---------------------|-------------------------|---------------------------|----------------|---------------------|-----------|-----------|-----------------------------|----------------------|----------|-------------------|------------------|---------------------------------------|-----------|
|                                      |                     |                         |                           |                |                     | Additions | Deletions | Accumulated<br>Depreciation | 2010<br>Depreciation | Deletion |                   |                  | Ending<br>Accumulated<br>Depreciation |           |
| Land                                 |                     |                         |                           |                | 0                   |           |           | 0                           | 0                    | 0        | 0                 | 0                |                                       |           |
| Buildings                            |                     |                         |                           |                | 0                   |           |           | 0                           | 0                    | 0        | 0                 | 0                |                                       |           |
| Equipment, furniture and vehicles    |                     |                         |                           |                |                     |           |           |                             |                      |          |                   |                  |                                       |           |
|                                      | two Dell computers  | Conservation            | 2010                      | 3              | 0                   | 1659.59   |           | 1659.59                     | 0.00                 | 553.20   | 0.00              | 553.20           | 1,106.39                              |           |
|                                      | table               | Conservation            | 2010                      | 3              | 0                   | 373.72    |           | 373.72                      | 0.00                 | 124.57   | 0.00              | 124.57           | 249.15                                |           |
|                                      | Arcview 7 Arc Pad   | Conservation            | 2009                      | 3.00           | 1,870.00            |           |           | 1,870.00                    | 623.33               | 623.33   | 0.00              | 1,246.66         | 623.34                                |           |
|                                      | Cubicle Dividers    | Conservation            | 2009                      | 10.00          | 604.00              |           |           | 604.00                      | 60.40                | 60.40    | 0.00              | 120.80           | 483.20                                |           |
|                                      | Storage Container   | Conservation            | 2009                      | 10.00          | 1,917.00            |           |           | 1,917.00                    | 191.70               | 191.70   | 0.00              | 383.40           | 1,533.60                              |           |
|                                      | 2002 DODGE MINIVAN  | Conservation            | 2008                      | 10.00          | 8,465.00            |           |           | 8,465.00                    | 1,693.00             | 846.50   |                   | 2,539.50         | 5,925.50                              |           |
|                                      | DELL VOSTRO 200     | Conservation            | 2008                      | 3.00           | 492.00              |           |           | 492.00                      | 328.00               | 164.00   |                   | 492.00           | 0.00                                  |           |
|                                      | DELL INSPIRON       | Conservation            | 2007                      | 3.00           | 1,057.00            |           | 1,057.00  | 0.00                        | 1,057.00             | 0.00     | 1,057.00          | 0.00             | 0.00                                  |           |
|                                      | PRINTER             | Conservation            | 2007                      | 5.00           | 532.00              |           |           | 532.00                      | 319.20               | 106.40   |                   | 425.60           | 106.40                                |           |
|                                      | BROCHURE SHELVES(2) | Conservation            | 2005                      | 10.00          | 410.00              |           |           | 410.00                      | 205.00               | 41.00    |                   | 246.00           | 164.00                                |           |
|                                      | Book shelf          | Conservation            | 2001                      | 10.00          | 312.00              |           |           | 312.00                      | 246.20               | 31.20    |                   | 277.40           | 34.60                                 |           |
|                                      | desk                | Conservation            | 2001                      | 10.00          | 421.00              |           |           | 421.00                      | 378.90               | 42.10    |                   | 421.00           | 0.00                                  |           |
| Total equipment, furniture, vehicles |                     |                         |                           |                |                     | 16,080.00 | 2,033.31  | 1,057.00                    | 17,056.31            | 5,102.73 | 2,784.40          | 1,057.00         | 6,830.13                              | 10,226.18 |
| Total Capital Assets                 |                     |                         |                           |                |                     | 16,080.00 | 2,033.31  | 1,057.00                    | 17,056.31            | 5,102.73 | 2,784.40          | 1,057.00         | 6,830.13                              | 10,226.18 |

|                          | 1/1/2010         | 12/31/2010       |
|--------------------------|------------------|------------------|
| Capital Assets           | 16,080.00        | 17,056.31        |
| Accumulated Depreciation | -5,102.73        | -6,830.13        |
| Net book value           | <u>10,977.27</u> | <u>10,226.18</u> |
| 2010 depreciation        |                  | 2,784.40         |