

POPE SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2006

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POPE SOIL AND WATER CONSERVATION DISTRICT GLENWOOD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Pope Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2006. Since this information is designed to focus on the current years activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) 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 District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Since Districts are single-purpose, special purpose government units, the District combines the government-wide and fund financial statements into a single presentations.

The Statement of Net Assets and the Statement of Activities

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

These two statements report the District's net assets and changes in them. You can think of the District's net assets — the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District presents Governmental activities. All of the District's basic services are reported here. Appropriations from the county and state finance most activities.

Reporting the District's General Fund

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund—not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District'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 District'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 District'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 DISTRICT AS A WHOLE

The District's combined net assets from the previous year were virtually unchanged. Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

Net Assets

	Governmental Activities	
	2006	2005
Current Assets	\$168,659	\$255,193
Capital Assets, net of depreciation	96,945	115,593
Liabilities, deferred revenue	88,094	133,637
Long term liabilities	15,261	30,436
Total Net Assets	162,249	206,713

Net assets of the District governmental activities decreased, by \$44,464. 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 \$91,120 at December 31, 2005 to \$65,304 at the end of this year.

The District's total revenues increased by \$65,284. The total cost of programs and services increased by \$29,390.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a combined fund balance of \$80,565, which is below last year's total of \$121,556. Included in this year's total change in fund balance, is a deficit of \$40,991 in the District's General Fund.

General Fund Budgetary Highlights

The most significant variance in the budget occurred in charges for services, (\$80,280). As a result of cost share eligibility change, the sale of grass seed, trees, fabric and tree tubes were down significantly.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the District had \$96,945 invested in capital assets, including vehicles, office and field equipment. This amount represents a net decrease of \$18,648 over last year.

Long Term Liabilities

At the end of 2006, the District had \$15,261 in accrued compensated absences. This compares to \$30,436 in 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Pope Soil and Water Conservation District, 1680 Franklin St North, Glenwood, MN 56334.

POPE SOIL AND WATER CONSERVATION DISTRICT
GLENWOOD, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006.

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 231,120	\$ -	\$ 231,120
Charges for services	133,420	-	133,420
Investment earnings	15,512	-	15,512
Miscellaneous	790	-	790
Total Revenues	<u>\$ 380,842</u>	<u>\$ -</u>	<u>\$ 380,842</u>
Expenditures/Expenses			
Conservation			
Current	\$ 421,833	\$ 3,473	\$ 425,306
Capital outlay	-	-	-
Total Expenditures/Expenses	<u>\$ 421,833</u>	<u>\$ 3,473</u>	<u>\$ 425,306</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ (40,991)</u>	<u>\$ (3,473)</u>	<u>\$ (44,464)</u>
Fund Balance/Net Assets January 1	<u>\$ 121,556</u>	<u>\$ 85,157</u>	<u>\$ 206,713</u>
Fund Balance/Net Assets December 31	<u>\$ 80,565</u>	<u>\$ 81,684</u>	<u>\$ 162,249</u>

Notes are an integral part of the basic financial statements.

POPE SOIL AND WATER CONSERVATION DISTRICT
GLENWOOD, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2006

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 153,274	\$ -	\$ 153,274
Accounts receivable	1,962	-	1,962
Accrued Interest Receivable	567	-	567
Prepaid items, Inventory	12,856	-	12,856
Capital Assets:			
Equipment (net of accumulated depreciation)	-	96,945	96,945
Total Assets	<u>\$ 168,659</u>	<u>\$ 96,945</u>	<u>\$ 265,604</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 162	\$ -	\$ 162
Deferred Revenue	69,753	-	69,753
Deposits on Sales	18,179	-	18,179
Long-term liabilities:			
Due within one year	-	3,145	3,145
Due after one year	-	12,116	12,116
Total Liabilities	<u>\$ 88,094</u>	<u>\$ 15,261</u>	<u>\$ 103,355</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unreserved			
Undesignated	\$ 80,565	\$ (80,565)	\$ -
Total Fund Balance	<u>\$ 80,565</u>	<u>\$ (80,565)</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 96,945	\$ 96,945
Unrestricted		65,304	65,304
Total Net Assets		<u>\$ 162,249</u>	<u>\$ 162,249</u>

Notes are an integral part of the basic financial statements.

POPE SOIL AND WATER CONSERVATION DISTRICT
GLENWOOD, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues			
Intergovernmental			
Local	\$ 43,000	\$ 52,095	\$ 9,095
County	57,751	55,251	(2,500)
State Grant	66,517	109,444	42,927
Federal Grant	2,790	14,330	11,540
Total intergovernmental	<u>\$ 170,058</u>	<u>\$ 231,120</u>	<u>\$ 61,062</u>
Charges for services	<u>\$ 213,700</u>	<u>\$ 133,420</u>	<u>\$ (80,280)</u>
Miscellaneous			
Interest earnings	\$ 4,700	\$ 15,512	\$ 10,812
Other	-	790	790
Total miscellaneous	<u>\$ 4,700</u>	<u>\$ 16,302</u>	<u>\$ 11,602</u>
Total Revenues	<u>\$ 388,458</u>	<u>\$ 380,842</u>	<u>\$ (7,616)</u>
Expenditures			
District operations			
Personal services	\$ 241,200	\$ 241,447	\$ (247)
Other services and charges	38,615	46,124	(7,509)
Capital outlay	2,000	-	2,000
Total district operations	<u>\$ 281,815</u>	<u>\$ 287,571</u>	<u>\$ (5,756)</u>
Project expenditures			
District	\$ 75,000	\$ 74,530	\$ 470
State	32,283	59,732	(27,449)
Total project expenditures	<u>\$ 107,283</u>	<u>\$ 134,262</u>	<u>\$ (26,979)</u>
Total Expenditures	<u>\$ 389,098</u>	<u>\$ 421,833</u>	<u>\$ (32,735)</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ (640)</u>	<u>\$ (40,991)</u>	<u>\$ 25,119</u>
Fund Balance - January 1	<u>\$ 121,556</u>	<u>\$ 121,556</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 120,916</u></u>	<u><u>\$ 80,565</u></u>	<u><u>\$ 25,119</u></u>

Notes are an integral part of the basic financial statements.

POPE SOIL AND WATER CONSERVATION DISTRICT
GLENWOOD, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments			\$ -
Accounts receivable			-
Due from other governments			-
Prepaid items			-
Capital Assets:			-
Equipment (net of accumulated depreciation)			-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable			\$ -
Deferred Revenue			-
Deposits on Sales			-
Long-term liabilities:			-
Due within one year			-
Due after one year			-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unreserved			
Undesignated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets			\$ 127,027
Unrestricted		-	(127,027)
Total Net Assets		<u>\$ -</u>	<u>\$ -</u>

Pope SWCD
BREAKDOWN OF COUNTY REVENUE
2006

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ <u>37,500</u>
WATER PLAN MONEY	\$ <u>0</u>
WETLAND MONEY	\$ <u>17,751</u>
FEEDLOT MONEY	\$ _____
ABANDONED WELL	\$ _____

TOTAL	\$ <u>55,251</u>
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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. NONE

POPE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Pope 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 Pope 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 Pope 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.

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.

POPE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues is 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 Fund 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 still valued at historical or estimated historical cost.

Liabilities

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

Equity

Reserved fund balance indicates the portion of fund equity, which 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.

POPE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

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

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 13 days per year. The limit on the accumulation of annual leave is 240 hours; there is no limit on the accumulation of sick leave. Upon termination of employment from the district, employees are paid accumulated annual leave and up to 400 hours of accrued sick leave.

Risk Management

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

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

Note 2 – Detailed Notes on All Funds and Account Groups

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation:

	Beginning	Addition	Deletion	Ending
Equipment	\$259,423	\$ 0	\$1,370	\$258,053
Less Accumulated Depreciation	<u>143,830</u>	18,648	1,370	<u>161,108</u>
Net Capital Assets	<u>\$115,593</u>			<u>\$ 96,945</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation are Machinery and equipment 5 to 10 years. Current year depreciation was \$18,648.

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. Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$69,753.

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2006 are:

Balance January 1, 2006	\$30,436
Net Change in Compensated Absences	<u>(15,175)</u>
Balance December 31, 2006	<u>\$15,261</u>

POPE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

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, 2006, the District's deposits totaled \$153,274, all of which were cash deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2006, 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.5%, respectively, of their annual covered salary. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.0% for Coordinated Plan PERF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005 and 2004 were \$9,228, \$8,147, and \$8,406 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 – Operating Leases

The District leases office space lease on a yearly basis. Under the current agreement, total costs for 2006 were \$8,970.

POPE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note 5 – Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$121,556
Plus: Excess of Revenue Over Expenditures	<u>(40,991)</u>
Governmental Fund Balance, December 31	<u>\$ 80,565</u>
Adjustments from Fund Balance to Net Assets:	
Add: Capital Assets, net of depreciation	\$ 96,945
Less: Long Term Liabilities	<u>(\$15,261)</u>
Net Assets	<u>\$162,249</u>

Note 6 – Reconciliation of Change in Fund Balance to Change in Net Assets

Change in fund balance	\$(40,991)
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(18,648)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>15,175</u>
Net change in net assets	<u>\$(44,464)</u>

Note 7 – Stewardship, Compliance, and Accountability

Excess of expenditures over budget – the general fund had expenditures in excess of budget for the year as follows: Expenditures \$421,833; Budget \$389,098; Excess \$32,735.