

# 2013 Financial Report

## **Nobles Soil & Water Conservation District**

**January 1, 2013 to December 31, 2013**

# 2013 Financial Report

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Nobles Soil & Water Conservation District

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Nobles 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, 2013. Since this information is designed to focus on 2013 activities, resulting changes, and currently known facts, it should be read in conjunction with the Nobles SWCD’s financial statements beginning on page 7.

### **FINANCIAL HIGHLIGHTS**

- The Nobles Soil and Water Conservation District’s total net assets from governmental activities decreased by just 2% from 2012 to 2013.
- The District decreased its fund balance in 2013. This shortfall in unrestricted governmental net assets decreased primarily because the District had needed to purchase a new vehicle that was not budgeted for 2013.
- The total revenues decreased significantly from 2012 due to the District not receiving several new grants that were budgeted for in 2013. The intergovernmental-state revenue was less than half as much as was initially budgeted. On the other hand, Charges for Services were nearly twice as much as the amount approved in the budget.
- The deferred revenue on the Statement of Net Assets and Governmental Fund Balance Sheet had significantly increased in 2013, due to carry over of State Grant funding that was received and not completed in 2013.

### **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 Position and the Statement of Activities (on pages 7 and 8) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD’s finances. Fund financial statements start on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD’s operations in more detail than the government-wide statements by providing information about the SWCD’s most significant funds. Since SWCD’s are single-purpose, special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Nobles SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the Nobles SWCD as a whole begins on page 2. One of the most important questions asked about the SWCD’s finances is, “Is the Nobles 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. One would need to consider other nonfinancial factors, however, to assess the overall health of the Nobles SWCD.

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

### Reporting the Nobles SWCD General Fund Fund Financial Statements

Our analysis of the SWCD’s general fund begins on page 5. The fund financial statements begin on page 7 and 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 reconciliations included with the financial statements.

### THE NOBLES SWCD AS A WHOLE

The SWCD’s combined net assets decreased from \$264,220.00 in 2012 to \$257,806.00 in 2013. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Nobles SWCD’s governmental activities.

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

	Governmental Activities	
	2013	2012
Current and other assets	507,535.00	335,523.00
Capital assets	35,115.00	33,293.00
<b>Total assets</b>	<b>\$ 542,650.00</b>	<b>\$ 368,816.00</b>
Long-term liabilities	18,054.00	14,364.00
Other liabilities	266,789.00	90,232.00
<b>Total liabilities</b>	<b>\$ 284,843.00</b>	<b>\$ 104,596.59</b>
Net assets		
Invested in capital assets, net of debt	35,115.00	33,293.00
Assigned	85,000.00	85,000.00
Unrestricted	137,691.00	145,927.00
<b>Total net assets</b>	<b>\$ 257,806.00</b>	<b>\$ 264,220.00</b>

Net assets of the SWCD’s governmental activities were decreased by 2 percent (\$264,220 compared to \$257,806. 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 an \$145,927 surplus at December 31, 2012, to a \$137,691 surplus at the end of this year.

This surplus in unrestricted governmental net assets decreased primarily because the District had not budgeted for the purchase of a new vehicle in 2013 and also the purchase of two new laptop computers. Capital outlay was over budget by \$13,423.00.

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

	<u>Governmental</u> <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	53,387.00	44,005.00
Intergovernmental Revenue	368,249.00	798,042.00
Misc. Revenues - Interest	350.00	798.00
Misc. Revenues - Other	<u>5,979.00</u>	<u>8,507.00</u>
<b>Total Revenues</b>	<b>\$ 427,965.00</b>	<b>\$ 851,352.00</b>
<b>Program Expenses</b>		
Personal Services	219,860.00	204,255.00
Other Services & Charges	48,631.00	48,345.00
Supplies	1,050.00	2,793.00
Depreciation	15,423.00	14,340.00
Loss on Disposal of Assets	0.00	0.00
Capital Outlay	0.00	0.00
Project Expense - District	51,384.00	74,864.00
Project Expense – State	<u>96,162.00</u>	<u>477,516.00</u>
<b>Total Expenses</b>	<b>\$ 432,510.00</b>	<b>\$ 822,113.00</b>
<b>Increase (decrease) in net assets</b>	<b><u>\$4,545.00</u></b>	<b><u>\$29,239.00</u></b>

The SWCD’s total revenues, excluding special items, decreased by 423,387.00, of which was almost completely due to the decrease in state grants. The total cost of all programs and services decreased significantly, \$389,603.00, again primarily due not having the additional contract payments being made to landowners from the grants received. Our analysis below separately considers the operations of governmental activities.

**Governmental Activities**

Revenues for the Nobles SWCD’s governmental activities decreased significantly, again due to several state grants that were budgeted and not received, which in turn the total expenses decreased similarly. The intergovernmental revenues were over budget for both County and Federal revenues by over \$7,000 each.

The cost of all governmental activities this year was \$432,510.00 compared to \$822,113.00 last year. However, as shown in the Statement of Activities on page 8, the amount that our taxpayers ultimately financed for these activities through County, State and Local allocations was \$122,170.00, because some of the cost was paid by those who directly benefitted from the programs \$53,387.00 or by other governments and

organizations that subsidized certain programs with grants and contributions \$235,279.00. Overall, the Nobles SWCD’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2013 from \$798,042.00 to \$368,249.00, principally based on decreases in State Grants, namely the Clean Water Legacy Funding. The Nobles SWCD paid for the remaining “public benefit” portion of governmental activities with other revenues, such as the tree program.

Table 3 presents the cost of each of the Nobles SWCD’s four largest programs which are grouped under the Conservation category: grass seed program, tree program, tree matting program and drill program. The net cost shows (total cost less revenues generated by the activities) shows \$0.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Conservation	\$ 38,571	\$ 80,955	\$0.00	\$0.00
All others	12,812	32,916	0.00	0.00
<b>Totals</b>	<b><u>\$ 51,383</u></b>	<b><u>\$113,871</u></b>	<b><u>\$0.00</u></b>	<b><u>\$0.00</u></b>

**THE FUNDS**

As the SWCD completed the year, its general fund, as presented in the balance sheet on pages 7, reported a combined fund balance of \$240,746.00, which is slightly below last year’s total of \$245,291.00. The primary reasons for the General Fund’s decrease mirror the governmental activities analysis highlighted on pages 2 and 3.

**General Fund Budgetary Highlights**

The SWCD did not make revisions to their budget in 2013. In the Nobles SWCD 2013 budget, the actual charges to appropriations, (expenditures) were \$168,057 under the budgeted amount, almost entirely due to the fact that some of the contracts written with grant funding were not completed (funds were not spent) in 2013 and the grants were deferred to 2013.

Other than the State Grants, the most significant positive variance occurred in the Nobles SWCD’s Intergovernmental Revenue County and Federal revenue. An additional \$7,190 was received in County allocations than was budgeted and additional Federal contribution agreement funding amounted to \$7,140 over the budgeted amount.

**CAPITAL ASSET AND LONG TERM LIABILITIES**

**Capital Assets**

At the end of 2013, the Nobles SWCD had \$35,114.74 invested in a broad range of capital assets, including building improvements, vehicles and equipment. (See Table 4 below). This amount represents a net increase (including additions and deductions) of just over 1821.00, or 5 percent, over last year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, in Thousands)**

	<u>Governmental</u> <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Vehicles	24,298	18,901
Equipment	<u>10,817</u>	<u>14,392</u>
	<u>\$ 35,115</u>	<u>\$33,293</u>

This year’s major additions included: a 2013 Chevrolet Impala automobile purchased for \$13,406.00 and computer equipment for \$2,017.00.

**Long-Term Liabilities**

The Nobles SWCD has obligations that include accrued vacation pay, but currently has no outstanding notes. More detailed information about the SWCD’s long-term liabilities is presented in Note II C, to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The Nobles SWCD’s elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and fees that will be charged for the for the business-type activities. Some of the economic factors taken into account for the 2014 budget when considering our revenues included: sales of trees and tree matting, local funding, state funding, federal funding and the County allocation. Expense factors included project expenses and employee salary increases.

**CONTACTING THE NOBLES 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 the Nobles Soil and Water Conservation District, 1567 McMillan St., Suite 3, Worthington, MN 56187, at 507-376-9150, extension #3.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**December 31, 2013**

	General Fund	Adjustments See Reconciliation	Statement of Net Position
<b>Assets</b>			
Cash			
Checking Accounts	\$ 241,378		\$ 241,378
Treasury Savings Account	227,283		227,283
Petty Cash	50		50
Total Cash	468,711		468,711
Accounts Receivable	203		203
Other Receivable	349		349
Due from Other Governments	38,272		38,272
Capital Assets, Net of Accumulated Depreciation		35,115	35,115
Total Assets	\$ 507,535	\$ 35,115	\$ 542,650
<b>Liabilities</b>			
Accrued Salaries Payable	\$ 1,355		\$ 1,355
Sales Tax Payable	196		196
Unearned Revenue	-	265,238	265,238
Compensated Absences		18,054	18,054
Total Liabilities	1,551	283,292	284,843
<b>Deferred Inflows from Future Resources</b>			
Deferred Inflows from Future Revenues	265,238	(265,238)	-
Total Deferred Inflows from Future Resources	265,238	(265,238)	-
<b>Fund Balance</b>			
Committed	18,054	(18,054)	-
Assigned	85,000	(85,000)	-
Unassigned	137,692	(137,692)	-
	240,746	(240,746)	\$ -
<b>Net Position</b>			
Invested in Capital Assets		35,115	35,115
Unrestricted		222,691	222,691
		\$ 257,806	\$ 257,806

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Activities and Governmental Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended December 31, 2013**

	General Fund	Adjustments See Reconciliation	Statement of Activities
<b>Revenues</b>			
Intergovernmental			
County	\$ 77,170	\$ -	\$ 77,170
State Grant	235,279		235,279
Federal Grant	10,800		10,800
Local	45,000		45,000
Total Intergovernmental Revenues	<u>368,249</u>	<u>-</u>	<u>368,249</u>
Charges for Services	<u>53,387</u>	<u>-</u>	<u>53,387</u>
Miscellaneous			
Interest	350		350
Other	5,979		5,979
Total Miscellaneous	<u>6,329</u>	<u>-</u>	<u>6,329</u>
Total Revenues	<u>427,965</u>	<u>-</u>	<u>427,965</u>
<b>Expenditures\Expenses</b>			
District Operations			
Personal Services	219,860	3,690	223,550
Other Services and Charges	48,631		48,631
Supplies	1,050		1,050
Loss on Disposal of Assets		697	697
Capital Outlay	15,423	(15,423)	-
Depreciation		12,905	12,905
Total District Operations	<u>284,964</u>	<u>1,869</u>	<u>286,833</u>
Project Expenditures\Expenses			
District	51,384	-	51,384
State	96,162		96,162
Total Project Expenditures\Expenses	<u>147,546</u>	<u>-</u>	<u>147,546</u>
Total Expenditures\Expenses	<u>432,510</u>	<u>1,869</u>	<u>434,379</u>
Excess of Revenues Over(Under) Expenditures\Expenses	<u>(4,545)</u>	<u>(1,869)</u>	<u>(6,414)</u>
Fund Balance\Net Position - January 1	<u>245,291</u>	<u>18,929</u>	<u>264,220</u>
Fund Balance\Net Position - December 31	<u>\$ 240,746</u>	<u>\$ 17,060</u>	<u>\$ 257,806</u>

See the notes to the financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT  
 BUDGETARY COMPARISON STATEMENT - BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$69,980	\$69,980	\$77,170	\$7,190
Local	45,000	45,000	45,000	0
Federal	3,660	3,660	10,800	7,140
State grant	424,720	424,720	235,279	(189,441)
<b>Total intergovernmental</b>	<b>\$543,360</b>	<b>\$543,360</b>	<b>\$368,249</b>	<b>(\$175,111)</b>
<b>Charges for services</b>	<b>\$31,500</b>	<b>\$31,500</b>	<b>\$53,387</b>	<b>\$21,887</b>
<b>Miscellaneous</b>				
Interest earnings	\$1,500	\$1,500	\$350	(\$1,150)
Other	1,500	1,500	5,979	4,479
<b>Total miscellaneous</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$6,329</b>	<b>\$3,329</b>
<b>Total Revenues</b>	<b>\$577,860</b>	<b>\$577,860</b>	<b>\$427,965</b>	<b>(\$149,895)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$219,082	\$219,082	\$219,860	(\$778)
Other services and charges	43,315	43,315	48,631	(5,316)
Supplies	1,000	1,000	1,050	(50)
Capital outlay	2,000	2,000	15,423	(13,423)
<b>Total district operations</b>	<b>\$265,397</b>	<b>\$265,397</b>	<b>\$284,964</b>	<b>(\$19,567)</b>
<b>Project expenditures</b>				
District	\$33,773	\$33,773	\$51,384	(\$17,611)
State	301,397	301,397	96,162	205,235
<b>Total project expenditures</b>	<b>\$335,170</b>	<b>\$335,170</b>	<b>\$147,546</b>	<b>\$187,624</b>
<b>Total Expenditures</b>	<b>\$600,567</b>	<b>\$600,567</b>	<b>\$432,510</b>	<b>\$168,057</b>
<b>Excess of Revenues Under</b>				
<b>Expenditures</b>	<b>(\$22,707)</b>	<b>(\$22,707)</b>	<b>(\$4,545)</b>	<b>\$18,162</b>
<b>Fund Balance - January 1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$245,291</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>(\$22,707)</b>	<b>(\$22,707)</b>	<b>\$240,746</b>	<b>\$18,162</b>
Notes are an integral part of the basic financial statements.				

## 2013 Capital Assets

Fixed Asset Description	Exp. Period	Useful Life	Acquired	Balance	Additions	Deletions	Ending Balance	2013		Ending Accumulated Depreciation
								Accumulated Depreciation	Depletion	
<b>Land</b>				0.00			0.00			0.00
<b>Buildings</b>										
Tree Building -Leasehold Imp.	Cons.	2002	5	12,975.00			12,975.00			0.00
<b>Total Buildings</b>				12,975.00			12,975.00			0.00
<b>Vehicles</b>										
2013 Chevy Impala Car	Cons.	2013	5		13,406.00		13,406.00			0.00
2011 GMC Sierra Pick-up	Cons.	2011	5	24,815.00			24,815.00	7,444.50		2,681.20
Radio Pick-up Topper - GMC	Cons.	2011	7	1,441.00			1,441.00	308.79		4,963.00
Radio Pick-up Topper - Chevy	Cons.	2008	7	1,116.00			1,116.00	717.43		205.86
2008 Chevrolet Pick-up	Cons.	2007	5	27,653.73			27,653.73	27,653.73		159.43
2003 Ford Pick-up	Cons.	2003	5	21,176.00			21,176.00	0.00		0.00
<b>Total Vehicles</b>				78,201.73	13,406.00		68,431.73	57,300.45	8,009.49	21,176.00
<b>Equipment</b>										
Great Plains Grass Drill	Cons.	2007	7	9,760.00			9,760.00	7,668.60		1,394.29
Dew Drop Drill	Cons.	2009	7	7,000.00			7,000.00	3,500.00		1,000.00
Drill Trailer A16	Cons.	2009	7	3,041.15			3,041.15	1,520.58		434.45
McIlravy Tree Matting Machine	Cons.	2004	7	3,850.00			3,850.00	3,850.00		0.00
Tree Planter - #1	Cons.	1974	7	2,000.00			2,000.00	2,000.00		0.00
Tree Planter - #2	Cons.	1974	7	2,000.00			2,000.00	2,000.00		0.00
Tree Planter - #3	Cons.	2005	7	501.00			501.00	501.00		0.00
Tandy Computer	Cons.	1994	5	1,300.00			1,300.00	1,300.00		0.00
Dell Vostro 200 Desktop/Plane	Cons.	2008	5	1,279.00			1,279.00	1,151.10		1,151.10
Dell Vostro 1510 Laptop/Ed	Cons.	2008	5	1,784.00			1,784.00	0.00		0.00
Dell Vostro 1510 Laptop/Ross	Cons.	2008	5	1,784.00			1,784.00	0.00		0.00
Dell OptiPlex 360 (Kevin)	Cons.	2009	5	839.90			839.90	587.93		167.98
Toshiba 2830c Copier	Cons.	2010	7	5,762.93			5,762.93	2,058.20		823.28
Downing Display	Cons.	2011	7	1,144.00			1,144.00	245.14		163.43
Dell Vostro 3500 Laptop (Chessa)	Cons.	2011	3	2,151.86			2,151.86	1,075.93		0.00
Dell Vostro 3500 Laptop (John)	Cons.	2011	3	864.00			864.00	432.00		288.00
Dell Vostro 3500 Laptop (Catheri)	Cons.	2011	3	864.00			864.00	432.00		288.00
Dell Inspiron Laptop (Jare)	Cons.	2013	3		979.00		979.00			163.17
Dell Inspiron Laptop (Ed)	Cons.	2013	3		1,038.00		1,038.00			173.00
<b>Total Equipment</b>				45,925.84	2,017.00		41,807.98	31,533.68	4,895.59	5,438.23
<b>Total Capital Assets</b>				\$135,102.57	\$15,423.00	\$27,311.00	\$123,214.71	\$101,809.13	\$12,905.07	\$26,614.23
<b>Capital Assets</b>				Jan. 1	Dec. 31					
Accumulated Depreciation				135,102.57	123,214.71					
Net book value				(101,809.13)	(88,099.97)					
				\$33,293.44	\$35,114.74					

**BREAKDOWN OF COUNTY REVENUE  
2013**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 52,000.00
WATER PLAN MONEY	\$ 1,350.00
WETLAND MONEY	\$ 8,630.00
OTHER	<u>\$ 15,190.00</u>
TOTAL	<u>\$ 77,170.00</u>

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule."

**UNEARNED REVENUE BREAKDOWN  
2013**

**Balance of BWSR Service Grants:** 9,940.00

**Balance of unencumbered BWSR Cost-Share Grants:**

2012 Easement Implementation	24,000.00
2013 State Cost-Share	17,253.40
2014 State Cost-Share (plus \$539.00 payt not transferred, this includes \$3,476.60 of TA funds)	17,928.56
2013 CWF Feedlot (have only received 50%)	21,566.50

Current Year 80,748.46

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

<u>Program</u>	<u>Contract No.</u>	<u>Name</u>	<u>Contract Amt.</u>
State C-S	2012-9	Josh Kramer	2,575.13
	2012-10	Brian Penning	885.94
	2012-12	Vernon Kramer	8,526.75
CWF Prog.	2013-CWF-01	Ryan Their	32,744.63
	2013-CWF-02	Jerome Weidert	28,525.50
	2013-CWF-05	Pat Dorn	13,795.50
	2013-CWF-07	Marie Schnieder	14,825.25
	2013-CWF-10	LeRoy Bruns (just the portion that equal amount of grant recd)	5,771.20
CWF Feedlot	2013-CWF-Feedlot-01-AW	Andy Wieneke	66,900.00
			174,549.90

Total of all Cost-Share Encumbrances 174,549.90

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

-

**TOTAL OF ALL DEFERRED REVENUE:** 265,238.36

**NOBLES SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nobles Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 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 Nobles Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's 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 financial reporting policies of the District conform to generally accepted accounting principles.

**A. Financial Reporting Entity**

In conformance with standards established by the Governmental Accounting Standards Board, the District includes all funds that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

The District is not considered a part of Nobles County because, even though the county provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

**B. Basis of Accounting**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all governmental activities, which normally are supported by taxes and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds

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The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classify as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the corporation.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**C. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. Budget**

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.

**E. Cash Equivalents**

Nobles Soil and Water Conservation District recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

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Nobles Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

**G. 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.

Due from Other Governments includes amounts for shared projects and grants.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Nobles Soil and Water Conservation District has set the capitalization threshold at 1,000.

**2. Liabilities**

Current liabilities include Accounts Payable, Accrued Payroll and Related Taxes, Sales Tax Payable, Deposits on Sale, Compensated Absences, and Unearned Revenue.

**3. Equity**

**Government-wide Statements**

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets.”

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Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. 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 but not limited to: prepaid expenses, accrued interest receivable, taxes receivable, inventory, fixed assets.
- b. 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.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: unemployment compensation and sinking fund.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

H. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue 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.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

b. Other Revenue

Investment income (reported as Miscellaneous Revenue) and revenue from the sale of trees (reported as Charges for Services) are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

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2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

b. Paid Time Off (PTO)

Under the District's personnel policies, employees are granted Paid Time Off in varying amounts based on their length of service. PTO accrual varies from 8 to 16 hours per month. The limit on the accumulation of PTO also varies based on full or part time status ranging from 288 hours to 480 hours per year. Upon termination from the District, employees are paid accrued PTO.

**II. DETAILED NOTES ON ALL FUNDS**

A. Capital Assets

Changes in Capital Assets:

	Buildings	Machinery & Equipment	Vehicles	Totals
Primary Government				
Balance, December 31, 2012	\$ 12,975	\$ 45,926	\$ 76,202	\$ 135,103
Increases	-	2,017	13,406	15,423
Decreases	-	(6,135)	(21,176)	(27,311)
Balance, December 31, 2013	<u>12,975</u>	<u>41,808</u>	<u>68,432</u>	<u>123,215</u>
Accumulated Depreciation				
Balance, December 31, 2012	12,975	31,534	57,300	101,809
Increases	-	4,896	8,009	12,905
Decreases	-	(5,438)	(21,176)	(26,614)
Balance, December 31, 2013	<u>12,975</u>	<u>30,992</u>	<u>44,133</u>	<u>88,100</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 10,816</u>	<u>\$ 24,299</u>	<u>\$ 35,115</u>

B. Unearned Revenue

Unearned revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Nobles County for various programs. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2013, consists of the following:

Regular/Special State Cost-Share	\$ 265,238			
Total	<u>\$ 265,238</u>			

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**C. Compensated Absences**

Changes in long-term debt for the period ended December 31, 2013, are:

Balance - January 1, 2013	\$ 14,364
Net change in compensated absences	<u>3,690</u>
Balance - December 31, 2013	<u><u>\$ 18,054</u></u>

There were no compensated absences payable to terminated employees as of December 31, 2013. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

**D. Deposits**

Minnesota Stat. 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 covered 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 institutions banking day, not covered by insurance or bonds. All deposits are in category 1, low risk type investment.

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 at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of December 31, 2013, the carrying amount of the District’s deposits with financial institutions was \$468,661.00, and the bank balance was \$477,608. The bank balance is categorized as follows:

Insured by FDIC Insurance	\$ 477,608
Covered by Collateral	0
Uninsured/Uncollateralized	<u>0</u>
Total	<u><u>\$ 477,608</u></u>

**Investments**

The board may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of the Minnesota Housing Agency rated “A” or better; bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic

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branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The board does not have any investments policies that would further limit investment choices.

The Board does not carry any investments on its financial statements as of December 31, 2013.

### **III. PENSION PLANS**

#### Plan Description

All full-time and certain part-time employees of the Nobles Soil and Water Conservation District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF’s Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate 2.7 percent of average salary for Basis Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred

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annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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 plan equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 6.25% of their annual covered salary in 2013. The Nobles Soil and Water Conservation District is required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan PERF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$12,293, \$11,035, and \$9,608, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

Defined Contribution Plan: All of the District Supervisors are covered by the Public employees Defined Contribution Plan, (DCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association (PERA). The DCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the District.

Total contributions made by the SWCD during fiscal year 2013 were:

Amount		Percentage of Covered Payroll		Required
Employees	Employer	Employees	Employer	Rates
\$396	\$396	5.00%	5.00%	5.00%

**IV. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

**V. OPERATING LEASE**

The District leases office space on a yearly basis. Under the current agreement, total costs for 2013 were \$11,764. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.