

**REDWOOD SOIL AND WATER
CONSERVATION DISTRICT**

Financial Statements

December 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Management's Discussion and Analysis	1-4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet	5
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	6
Budgetary Comparison Statement, Budget and Actual, General Fund	7
Breakdown of County Revenue	8
Unearned Revenue Breakdown	9
Schedule of General Capital Assets and Changes	10
NOTES TO THE FINANCIAL STATEMENT	
Summary of Significant Accounting Policies	11-15
Detailed Notes	16-17
Defined Benefit Pension Plans	17
Operating Leases	18
Stewardship, Compliance and Accountability	18
Reconciliation of Fund Balance to Net Position	18
Reconciliation of Change in Fund Balance to Change in Net Position	18
ADDITIONAL REPORTS	
Reconciliation for Government-Wide and Fund Financial Statements	19
*Notes regarding pension portion of the statement	19

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2015
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Redwood 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, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three main 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 Position 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, these 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 single presentations.

The Statement of Net Position 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 Position 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 the accrual basis of accounting, which is similar to the accounting used by 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 position and changes in them. You can think of the District's net position – 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 position 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 government funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from Redwood County and State of Minnesota finance most activities.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2015
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 that fund 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 Position 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 position for the current and the previous year are presented below. Our analysis focuses on the net position and changes in net position of the District's governmental activities.

Net Position:	Governmental Activities	
	<u>2015</u>	<u>2014</u>
<u>Assets:</u>		
Current Assets	\$ 561,546.59	\$ 420,117.73
Capital Assets: Net of Depreciation	<u>32,230.72</u>	<u>37,614.57</u>
Total Assets	593,777.31	457,732.30
<u>Liabilities:</u>		
Current Liabilities and Unearned Revenue	175,701.19	43,232.26
Long-Term Liabilities	<u>10,494.47</u>	<u>8,301.23</u>
Total Liabilities	<u>186,195.66</u>	<u>51,533.49</u>
<u>Net Position:</u>		
Investment in Capital Assets	32,230.72	37,614.57
Unrestricted	<u>375,350.93</u>	<u>368,584.24</u>
Total Net Position	<u>\$ 407,581.65</u>	<u>\$ 406,198.81</u>

Net position of the District governmental activities increased by \$1,382.84 from December 31, 2014. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$368,584.24 at December 31, 2014 to \$375,350.93 at December 31, 2015, an increase of \$6,766.69.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2015
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
<u>Revenues:</u>		
County – General Administrative Grant	\$ 127,775.12	\$ 126,032.84
State – Cost Share and Administrative	501,982.33	80,193.67
Federal - Conservation	4,543.50	19,430.00
Local – Conservation	0.00	1,875.00
Charges for Services	2,732.50	18,196.20
Investment Earnings	4,432.32	4,687.26
Other	<u>32,313.36</u>	<u>19,776.35</u>
Total Revenues	673,779.13	270,191.32
<u>Expenses:</u>		
Conservation	<u>\$ 672,396.99</u>	<u>\$ 362,612.43</u>
Increase (Decrease) in Net Position	<u>\$ 1,382.12</u>	<u>\$ (92,421.11)</u>

The District's total revenues increased by \$403,587.81. The total cost of all programs and services increased by \$309,784.56.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported combined fund balance of \$ 385,845.40, which was above last year's total of \$ 376,885.47, an increase of \$8,959.93.

General Fund Budgetary Highlights

Variances in the budgeted revenues and expenses versus actual were due to participation in more cost share projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$32,230.72 invested in capital assets, net of accumulated depreciation, including a building, vehicles, office and field equipment. This amount represents a decrease of \$5,383.85 compared to last year, due to the 2015 depreciation.

Long-Term Liabilities

At the end of 2015 the District had \$10,494.47 in accrued compensated absences as compared to \$8,301.23 at the end of 2014.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2015
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials considered many factors when setting the fiscal year 2015 budget. Some of the economic factors taken into account include: sale of tree mats and matting installation, state funding, and the County allocation. Expense factors include foreseeable cost share project expenses and employee salary increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, creditors, and investors 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 Redwood Soil and Water Conservation District, 1241 E. Bridge Street-Suite C, Redwood Falls, MN 56283 or call 507-637-2427, Ext. 3.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2015

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and Investments	551,707.78	0.00	551,707.78
Prepaid Items	9,838.81	0.00	9,838.81
Capital Assets:			
Equipment (net of accumulated depreciation)	0.00	32,230.72	32,230.72
Total Assets	561,546.59	32,230.72	593,777.31
Deferred Outflows of Resources			
Defined Benefit Pension Plan	0.00		0.00
Combined Assets and Deferred Outflows of Resources	561,546.59	32,230.72	593,777.31
Liabilities			
Current Liabilities:			
Unearned Revenue	163,370.46	0.00	163,370.46
Accrued Wages	10,556.28	0.00	10,556.28
Long-term Liabilities:			
Net Pension Liability	0.00		0.00
Due to other Governments	1,774.45		1,774.45
Due after one year	0.00	10,494.47	10,494.47
Total Liabilities	175,701.19	10,494.47	186,195.66
Deferred Inflows of Resources			
Defined Benefit Pension Plan	0.00		0.00
Combined Liabilities and Deferred Inflows of Resources	175,701.19	10,494.47	186,195.66
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepays	9,838.81	-9,838.81	0.00
Assigned - Compensated Absences	10,494.47	-10,494.47	0.00
Unassigned	365,512.12	-365,512.12	0.00
Total Fund Balance	385,845.40	-385,845.40	0.00
Net Position			
Investments in Capital Assets		32,230.72	32,230.72
Unrestricted		375,350.93	375,350.93
Total Net Position		407,581.65	407,581.65

See accompanying Notes to the Financial Statements.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2015

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	634,300.95	0.00	634,300.95
Charges for Services	2,732.50	0.00	2,732.50
Investment Earnings	4,432.32	0.00	4,432.32
Miscellaneous	32,313.36	0.00	32,313.36
Total Revenues	<u>673,779.13</u>	<u>0.00</u>	<u>673,779.13</u>
Expenditures/Expenses			
Conservation			
Current	664,819.20	7,577.79	672,396.99
Capital Outlay	0.00	0.00	0.00
Total Expenditures/Expenses	<u>664,819.20</u>	<u>7,577.79</u>	<u>672,396.99</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>8,959.93</u>	<u>-7,577.79</u>	<u>1,382.14</u>
Fund Balance/Net Position January 1	376,885.47	29,313.34	406,198.81
Change in Accounting Principle	<u> </u>	<u> </u>	<u> </u>
Fund Balance/Net Position December 31	<u><u>385,845.40</u></u>	<u><u>21,735.55</u></u>	<u><u>407,580.95</u></u>

See accompanying Notes to the Financial Statements.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Original/ Final		Variance With Final Budget Positive (Neg)
	Budget	Actual	
Revenues			
Intergovernmental			
County	142,982.00	127,775.12	-15,206.88
Local			0.00
Federal	14,000.00	4,543.50	-9,456.50
State Grant	92,020.00	501,982.33	409,962.33
Total Intergovernmental	249,002.00	634,300.95	385,298.95
Charges for Services		2,732.50	2,732.50
Miscellaneous			
Interest Earnings	4,000.00	4,432.32	432.32
Other	55,600.00	32,313.36	-23,286.64
Total Miscellaneous	59,600.00	36,745.68	-22,854.32
Total Revenues	308,602.00	673,779.13	365,177.13
Expenditures			
District Operations			
Personnel Services	234,207.00	209,937.66	24,269.34
Other Services and Charges	42,800.00	138,411.21	-95,611.21
Supplies	2,500.00	3,708.72	-1,208.72
Capital Outlay			0.00
Total District Operations	279,507.00	352,057.59	-72,550.59
Project Expenditures			
District	15,595.00	16,770.96	-1,175.96
State	13,500.00	295,990.65	-282,490.65
Total Project Expenditures	29,095.00	312,761.61	-283,666.61
Total Expenditures	308,602.00	664,819.20	-356,217.20
Excess of Revenues Over (Under)			
Expenditures	0.00	8,959.93	8,959.93
Fund Balance - January 1		376,885.47	0.00
Change in Accounting Principle			
Fund Balance - December 31	0.00	385,845.40	8,959.93

See accompanying Notes to the Financial Statements.

**BREAKDOWN OF COUNTY REVENUE
2015**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ <u>97,000.00</u>
WATER PLAN MONEY	\$ <u>25,239.00</u>
WETLAND MONEY	\$ <u>5,536.12</u>
FEEDLOT MONEY	\$ _____
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
 TOTAL	 \$ <u><u>127,775.12</u></u>

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

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

UNEARNED REVENUE BREAKDOWN 2015

Balance of BWSR Service Grants: \$ 24,814.46

Balance of unencumbered BWSR Cost-Share Grants:

Current fiscal year	\$ <u>5,960.23</u>
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Previous fiscal year \$ 467.43

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

FY	Contract No.	Contract Amount	& A Encumbered
15	1-15	0.00	732.07
15	3-15	2,531.25	0.00
15	5-15	703.00	0.00
16	2-16	1,932.94	0.00
16	3-16	1,980.05	0.00
16	4-16	1,747.50	0.00

Total of all Cost-Share Encumbrances \$ 9,626.81

Balance of County WCA Funds: \$ 10,387.00

Balance of County Water Plan Funds: \$ 0.00

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

MN Flood Relief \$ 73,824.09

FY16 Buffer Law \$ 35,000.00

Water Quality Certification \$ 3,290.44

Subtotal of other funds: \$ 112,114.53

TOTAL OF ALL UNEARNED REVENUE: **\$163,370.00**

Redwood Soil and Water Conservation District													
Schedule of General Capital Assets and Changes ~ January 1 - December 31, 2015													
Fixed Asset Description	Current Year	Year Acquired	Years in Use	Original Cost on Fixed Asset 1/1/2015	Additions 1/1/15 to 12/31/15	Deletions	Original Cost on Fixed Asset 12/31/15	Yearly Deprec.	Useful Life (yrs)	1/01/15 Accum. Deprec.	2015 Deprec. Expense	Deletions	12/31/15 Accum. Deprec.
BUILDINGS:													
Building-Tree Barn	2015	1987	29	\$10,600.00			\$10,600.00	\$353.33	30	\$9,893.33	\$353.33		\$10,246.66
Building - Storage Shed	2015	2010	6	\$23,979.68			\$23,979.68	\$799.32	30	\$3,996.61	\$799.32		\$4,795.92
TOTAL BUILDINGS:	2015			\$34,579.68			\$34,579.68	\$1,152.66		\$13,889.95	\$1,152.66	\$0.00	\$15,042.59
VEHICLES:													
2007 Chevrolet Pickup	2015	2006	10	\$13,838.00			\$13,838.00	\$2,767.60	5	\$13,838.00	\$0.00		\$13,838.00
4-Wheeler	2015	2001	15	\$5,621.00			\$5,621.00	\$1,124.20	5	\$5,621.00	\$0.00		\$5,621.00
2002 Chevrolet Venture	2015	2002	14	\$23,223.25			\$23,223.25	\$4,644.65	5	\$23,223.25	\$0.00		\$23,223.25
2011 Chevrolet Pickup	2015	2014	2	\$21,156.00			\$21,156.00	\$4,231.20	5	\$4,231.20	\$4,231.20		\$8,462.40
TOTAL VEHICLES:	2015			\$63,838.25		\$0.00	\$63,838.25	\$12,767.65		\$46,913.45	\$4,231.20	\$0.00	\$51,144.65
EQUIPMENT/MACHINERY:													
TOTAL EQUIPMENT:	2015			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
COMPUTER/OFFICE EQUIPMENT:													
Canon Color ImageRUNNER Copier	2015	2008	8	\$9,134.51	\$0.00		\$9,134.51	\$1,826.90	5	\$9,134.51	\$0.00		\$9,134.51
TOTAL COMPUTER/OFFICE EQUIPMENT				\$9,134.51	\$0.00	\$0.00	\$9,134.51	\$1,826.90		\$9,134.51	\$0.00		\$9,134.51
Grand Totals	2015			\$107,552.44	0	\$0.00	\$107,552.44	\$15,747.21		\$69,937.90	\$5,383.85	\$0.00	\$75,321.75
											1-Jan-15		31-Dec-15
							Original Cost of Fixed Assets as of 1/1/15				\$107,552.44		\$107,552.44
							Additions to Fixed Assets from 1/1/15 thru 12/31/15						\$0.00
							Deletions to Fixed Assets from 1/1/15 thru 12/31/15						\$0.00
								Accumulated Depreciation			64,554.02		\$69,937.91
								Fixed Assets Net of Accumulated Depreciation			42,998.42		\$37,614.53
								2015 Depreciation Expense					\$5,383.85

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 1 – Summary of Significant Accounting Policies

The financial reporting policies of the Redwood SWCD conform to generally accepted accounting principles. The Government Accounting Standards District (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Changes in Accounting Principles

During the year ended December 31, 2015, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.

Financial Reporting Entity

The Redwood Soil and Water Conservation District is organized under 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 District provides technical and financial assistance to individuals, groups, Districts, 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.

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 (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the General Fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred.

Investment earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

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 District 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 which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

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.

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as adjustments to net position.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments; or is imposed by law through constitutional provision or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposed imposed by formal action (resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to preciously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the District Administrator who has been delegated that authority by Board resolution.

Unassigned – unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Explanation of Adjustments Column in Statements

Capital Assets – in the Statement of Net Position 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 reconcile to the amount reported in the Capital Assets Note.

Long-Term Liabilities – in the Statement of Net Position and Government Fund Balance sheet, an adjustment is made to reflect the total Compensated Absence Liability the District has as of the report date. See note on Long-Term Liabilities.

Depreciation and Change in Compensated Absences for the year – in the Statement of Activities and Governmental Fund Revenues, Expenditure and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in compensated absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 240 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 2.5% of accrued sick leave for each full year of service based on employee's latest salary per day, with a maximum of 60% of paid days or 480 hours. On termination of employment by illness or death, employees are paid accrued vacation and up to 0 hours of accrued sick leave.

RISK MANAGMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District is covered for errors and omissions through the Minnesota Counties Intergovernmental Trust.

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 reductions in insurance from the previous year or settlements in excess of insurance for any of the past three fiscal years.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 2 – Detailed Notes

CAPITAL ASSETS

Changes in Capital Assets, Asset Capitalization and Depreciation.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Building, vehicles, and equipment	\$107,552.44	\$	\$	\$107,552.44
Less: Accumulated Depreciation	<u>(64,554.02)</u>	<u>(5,383.85)</u>		<u>(69,937.87)</u>
Net Capital Assets	<u>\$42,998.42</u>	<u>\$</u>	<u>\$</u>	<u>\$37,614.57</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 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 is 30 years for the building, 5 years for the vehicles, and 10 years for the equipment. Current year depreciation is \$5,383.85.

The District uses a threshold of \$5,000.00 for capitalizing assets purchased. Those physical assets under \$5,000.00 are expensed directly and not capitalized.

UNEARNED REVENUE

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and Redwood County for various programs. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue at December 31, 2015 consists of the following: BWSR service grants \$24,814.46; BWSR cost share grants, \$16,054.47; County Wetland Conservation Act (WCA) funds, \$10,387.00; Minnesota Flood Relief, \$73,824.09; FY16 Buffer Law, \$35,000.00 and Water Quality Certification Funds, \$3,290.44; totaling \$163,370.46.

LONG-TERM LIABILITIES: COMPENSATED ABSENCES PAYABLE

Changes in long-term liabilities for the period ended December 31, 2015 are:

Balance January 1, 2015	<u>\$ 8,301.23</u>
Net Change in Compensated Absences	<u>\$ 2,193.24</u>
Balance December 31, 2015	<u>\$ 10,494.47</u>

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Deposits

Minn. 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 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

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, 2015, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description – Public Employees Retirement Association

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. 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 Statute 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. Basic plan members and coordinated plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary. The District is required to contribute 11.78% for Basic Plan members and 7.25% for Coordinated plan members. The District's contributions to PERA for the years ending December 31, 2015, 2014, and 2013 were \$11,549.60, \$11,547.93, and \$11,108.22 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 4 – Operating Leases

The Redwood SWCD is the fiscal agent for the District and provides office space. under the current agreement, total costs for 2015 were \$11,479.00

Note 5 – Stewardship, Compliance and Accountability

Excess of expenditures over budget - During 2015 actual expenditures were \$664,819.20, which exceeded budgeted expenditures of \$308,602.00 by \$356,217.20.

Note 6 – Reconciliation of Fund Balance to Net Position

Government Fund Balance, January 1	\$376,885.47
Plus: Excess of Revenues Over Expenditures	<u>8,959.93</u>
Governmental Fund Balance, December 31	<u>\$385,845.40</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$ 32,230.72
Plus: Deferred Outflows of Resources	\$
Less: Long-Term Liabilities	\$10,494.47
Less: Deferred Inflows of Resources	\$
Net Position	<u>\$407,581.65</u>

Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	<u>\$ 8,959.93</u>
Capital Outlay	\$ 0.00
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	(107,552.44)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>(10,494.47)</u>
Change in Net Position	<u>\$ 1,382.84</u>

REDWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

RECONCILIATION FOR GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation of Change in Fund Balance to Change in Net Position:

Change in Fund Balance – Total Governmental Funds	\$ 8,959.93
Depreciation expense on capital assets not reported as an expenditure in Governmental funds	(5,383.85)
Decrease in compensated absences is not considered a current expense	2,193.24
Purchases of capital outlay considered a current expense	<u>0.00</u>
Changes in Net Position of Governmental Activities	<u>\$ 1,382.84</u>

Reconciliation of Fund Balance to Net Position:

Total Fund Balance – Total Governmental Funds	\$ 385,845.40
Capital assets (net of depreciation) used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet	32,230.72
Compensated absences payable are not reported as a liability in governmental funds balance sheet	<u>(10,494.47)</u>
Net Position of Governmental Activities	<u>\$ 407,581.15</u>

{*Below are the instructions that came from BWSR with the 2015 year-end statements. As stated if we are having an audit for 2015 done in 2016 the adjustment for the pension portion & governmental funds balance sheet can be left blank and statements submitted without it.}

[COMPLETE THE PENSION PORTION OF THE STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET]

[*We have posted some materials on our website on where to look for the pension adjustment data. This is a "off books" adjustment, the same as you do for Fixed Assets and Compensated Absences. In other words you do not do any journal entries. Consult your accountant or audit firm for assistance in calculating the 2015 figures. **If you are going to have an audit for 2015 done in 2016, you can leave this adjustment blank and submit your statements without it.** If you do not expect an audit this year of 2015 results, then please consult with your previous auditor for assistance in modifying your statements to include adjustments for the new pension requirement.]