

2015 Financial Report

Nobles Soil & Water Conservation District

January 1, 2015 to December 31, 2015

2015 Financial Report

Nobles Soil & Water Conservation District

TABLE OF CONTENTS:

Management’s Discussion and Analysis.....	2-6
Basic Financial Statements.....	7-9
Statement of Net Assets and Governmental Fund Balance Sheet... 7	
Statement of Activities and Government Fund Revenues, Expenditures and Change in Funds.....	8
Budgeting Comparison Statement.....	9
Capital Assets.....	10
Notes to Financial Statements.....	11-21
Breakdown of County Revenue.....	11
Unearned Revenue Breakdown.....	12
I. Summary of Significant Accounting Policies.....	13-17
II. Detailed Notes On All Funds.....	17-19
III. Pension Plan.....	21-22
IV. Risk Management.....	22
V. Operating Lease.....	22

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, 2015. Since this information is designed to focus on 2015 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 increased by over half from 2014 to 2015.
- The District increased its fund balance in 2015. This increase is primarily related to the increase in grants that were received in 2015.
- The total revenues increased from 2014 due to the District receiving only a fraction of several new grants that were budgeted for in 2015. The intergovernmental-state revenue was just under a quarter of what was initially budgeted. On the other hand, Charges for Services were nearly three times as much as the amount approved in the budget.
- The deferred revenue on the Statement of Net Assets and Governmental Fund Balance Sheet had increased in 2015, due to carry over of State Grant funding that was received and completed in 2015.

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. 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 3. 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 reconciliation included with the financial statements.

THE NOBLES SWCD AS A WHOLE

The SWCD’s combined net assets increased from \$165,408 in 2014 to \$291,407.00 in 2015. 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	
	2015	2014
Current and other assets	1,218,922.00	391,052.00
Capital assets	20,137.00	33,482.00
Total assets	<u>\$1,239,058.00</u>	<u>\$424,534.00</u>
Long-term liabilities	8,259.00	14,761.00
Other liabilities	939,392.00	244,365.00
Total liabilities	<u>\$ 947,651.00</u>	<u>\$259,126.00</u>
Net assets		
Invested in capital assets, net of debt	20,137.00	33,482.00
Unrestricted	271,270	131,926.00
Total net assets	<u>\$ 291,407.00</u>	<u>\$ 165,408.00</u>

Net assets of the SWCD’s governmental activities were increase by 76 percent (\$291,407 compared to \$165,408).

TABLE 2
Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	108,031.00	64,386.00
Intergovernmental Revenue	566,179.00	388,957.00
Misc. Revenues - Interest	232.00	146.00
Misc. Revenues - Other	<u>9,217.00</u>	<u>6,623.00</u>
Total Revenues	\$ 683,660.00	\$ 460,113.00
Program Expenses		
Personal Services	227,904.00	281,835.00
Other Services & Charges	55,456.00	59,710.00
Supplies	1,804.00	1,125.00
Depreciation	13,948.00	12,291.00
Loss on Disposal of Assets	816.00	1,123.00
Capital Outlay	1,825.00	0.00
Project Expense - District	95,938.00	65,429.00
Project Expense – State	<u>156,242.00</u>	<u>130,998.00</u>
Total Expenses	\$ 551,318.00	\$ 552,511.00
Increase (decrease) in net assets	<u>\$137,989.00</u>	<u>\$94,060.00</u>

The SWCD’s total revenues, excluding special items, increased by \$223,547.00, of which was almost completely due to the amounts of the new grants received. The total cost of all programs and services decreased slightly by \$1,193.00. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Revenues for the Nobles SWCD’s governmental activities increased, again due to several state grants that were budgeted for and only partially received. The intergovernmental revenue from the County was over budget by over \$16,798.

The cost of all governmental activities this year was \$551,318.00 compared to \$552,511.00 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 \$179,896.00, because some of the cost was paid by those who directly benefitted from the programs \$108,031.00 or by other governments and organizations that subsidized certain programs with grants and contributions \$386,284.00. Overall, the Nobles SWCD’s governmental program revenues, including intergovernmental aid and fees for services, increased in 2015, principally based on an increase in State Grants and an increase in sales. 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Conservation	\$ 78,879	\$ 42,754	\$0.00	\$0.00
All others	17,059	22,675	0.00	0.00
Totals	<u>\$ 95,938</u>	<u>\$ 65,429</u>	<u>\$0.00</u>	<u>\$0.00</u>

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 \$297,750, which is above last year’s total of \$165,408. The primary reasons for the General Fund’s increase 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 2015. In the Nobles SWCD 2015 budget, the actual charges to appropriations, (expenditures) were \$135,958 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 2015 and the grants were deferred to 2016.

Other than the State Grants, the most significant positive variance occurred in the Nobles SWCD’s Intergovernmental Revenue County and Federal revenue. An additional \$16,798 was received in County allocations than what was budgeted.

CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2015, the Nobles SWCD had \$20,137 invested in a broad range of capital assets, including building improvements, vehicles and equipment. (See Table 4 continued on page 6). This amount represents a net decrease (including additions and deductions) of just over 13,345.00, or 40 percent, over last year.

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Vehicles	8,359	16,289
Equipment	<u>11,778</u>	<u>17,194</u>
	<u>\$ 20,137</u>	<u>\$33,482</u>

This year's only major addition included a laptop for \$1,118.40.

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 2016 budget and fees that will be charged for the for the business-type activities. Some of the economic factors taken into account for the 2016 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
 WORTHINGTON, MINNESOTA
 STATEMENT OF NET POSITION AND
 GOVERNMENTAL FUND BALANCE SHEET
 DECEMBER 31, 2015**

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and Investments	\$ 1,174,346	\$ -	\$ 1,174,346
Prepaid Items			-
due from other governments	44,576		
Capital Assets:			
Equipment (net of accumulated depreciation)	-	20,137	20,137
Total Assets	1,218,922	20,137	1,239,058
Deferred Outflows of Resources			
Defined Benefit Pension Plan	-	-	-
Combined Assets and Deferred Outflows of Resources	\$ 1,218,922	\$ 20,137	\$ 1,239,058
Liabilities			
Current Liabilities:			
Unearned Revenue	\$ (187)		\$ (187)
Accrued Wages	2,237	-	2,237
Deposit on Sales		-	-
Long-term Liabilities:			
Net Pension Liability	\$ 937,342		937,342
Due after one year	-	8,259	8,259
Total Liabilities	939,392	8,259	947,651
Deferred Inflows of Resources			
Defined Benefit Pension Plan	-	-	-
Combined Liabilities and Deferred Inflows of Resources	\$ 939,392	\$ 8,259	\$ 947,651
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepays			\$ -
Assigned - Compensated Absences	8,259	(8,259)	(0)
Unassigned	271,270	(271,270)	-
Total Fund Balance	\$ 279,529	\$ (279,529)	\$ (0)
Net Position			
Investments in Capital Assets		\$ 20,137	\$ 20,137
Unrestricted		271,270	271,270
Total Net Position		\$ 291,407	\$ 291,407

Notes are an integral part of the basic financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
 WORTHINGTON, MINNESOTA
 STATEMENT OF ACTIVITIES AND
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 566,179	\$ -	\$ 566,179
Charges for Services	108,031	-	108,031
Investment Earnings	232	-	232
Miscellaneous	9,217	-	9,217
Total Revenues	<u>\$ 683,660</u>	<u>\$ -</u>	<u>\$ 683,660</u>
Expenditures/Expenses			
Conservation			
Current	\$ 543,845	\$ 7,473	\$ 551,318
Capital Outlay	1,825	(1,825)	-
Loss on Disposal of Assets		816	
Total Expenditures/Expenses	<u>\$ 545,670</u>	<u>\$ 5,648</u>	<u>\$ 551,318</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 137,989</u>	<u>\$ (5,648)</u>	<u>\$ 132,342</u>
Fund Balance/Net Position January 1	\$ 146,687	\$ 18,721	\$ 165,408
Change in Accounting Principle	<u> </u>	<u>-</u>	<u> </u>
Fund Balance/Net Position December 31	<u>\$ 284,676</u>	<u>\$ 13,073</u>	<u>\$ 297,750</u>

Notes are an integral part of the basic financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
WORTHINGTON, MINNESOTA
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 101,980	\$ 118,778	\$ 16,798
Local	60,000	61,118	1,118
Federal	-	12,000	12,000
State Grant	486,499	374,284	(112,215)
Total Intergovernmental	<u>\$ 648,479</u>	<u>\$ 566,179</u>	<u>\$ (82,300)</u>
Charges for Services	<u>\$ 31,500</u>	<u>\$ 108,031</u>	<u>\$ 76,531</u>
Miscellaneous			
Interest Earnings	\$ 150	\$ 232	\$ 82
Other	1,500	9,217	7,717
Total Miscellaneous	<u>\$ 1,650</u>	<u>\$ 9,449</u>	<u>\$ 7,799</u>
Total Revenues	<u>\$ 681,629</u>	<u>\$ 683,660</u>	<u>\$ 2,031</u>
Expenditures			
District Operations			
Personnel Services	\$ 275,686	\$ 234,406	\$ 41,280
Other Services and Charges	63,900	55,456	8,444
Supplies	2,000	1,804	196
Capital Outlay	5,176	1,825	3,351
Total District Operations	<u>\$ 346,762</u>	<u>\$ 293,491</u>	<u>\$ 53,271</u>
Project Expenditures			
District	\$ 43,800	\$ 95,938	\$ (52,138)
State	291,067	156,242	134,825
Total Project Expenditures	<u>\$ 334,867</u>	<u>\$ 252,179</u>	<u>\$ 82,688</u>
Total Expenditures	<u>\$ 681,629</u>	<u>\$ 545,670</u>	<u>\$ 135,958</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 137,989</u>	<u>\$ 137,989</u>
Fund Balance - January 1	\$ -	\$ 146,687	\$ 146,687
Change in Accounting Principle			
Fund Balance - December 31	<u>\$ -</u>	<u>\$ 284,676</u>	<u>\$ 284,676</u>

Notes are an integral part of the basic financial statements.

**2015
Capital Assets**

Fixed Asset Description	Exp. Func.	Purch/ Const.	Useful Life	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2014 Depreciation	Deletion	Ending Accumulated Depreciation
Land				0.00			0.00				0.00
Buildings											
Tree Building -Leasehold Imp.	Cons.	2002	5	12,975.00			12,975.00	12,975.00	0.00		12,975.00
Total Buildings				12,975.00			12,975.00	12,975.00	0.00		12,975.00
Vehicles											
2013 Chevy Impala Car	Cons.	2013	5	13,406.00			13,406.00	5,362.40	2,681.20		8,043.60
2011 GMC Sierra Pick-up	Cons.	2011	5	24,815.00			24,815.00	17,370.50	4,963.00		22,333.50
Radio Pick-up Topper - GMC	Cons.	2011	7	1,441.00			1,441.00	720.51	205.86		926.37
Radio Pick-up Topper - Chevy	Cons.	2008	7	1,116.00			1,116.00	1,036.29	79.71		1,116.00
2008 Chevrolet Pick-up	Cons.	2007	5	27,653.73			27,653.73	27,653.73	0.00		27,653.73
Total Vehicles				68,431.73	0.00	0.00	68,431.73	52,143.43	7,929.77	0.00	60,073.20
Equipment											
Great Plains Grass Drill	Cons.	2007	7	9,760.00			9,760.00	9,760.00	0.00		9,760.00
Dew Drop Drill	Cons.	2009	7	7,000.00			7,000.00	5,500.00	1,000.00		6,500.00
Drill Trailer A16	Cons.	2009	7	3,041.15			3,041.15	2,389.48	434.45		2,823.93
McIlvray Tree Matting Machine	Cons.	2004	7	3,850.00			3,850.00	3,850.00	0.00		3,850.00
Tree Planter - #1	Cons.	1974	7	2,000.00			2,000.00	2,000.00	0.00		2,000.00
Tree Planter - #2	Cons.	1974	7	2,000.00			2,000.00	2,000.00	0.00		2,000.00
Tree Planter - #3	Cons.	2005	7	501.00			501.00	501.00	0.00		501.00
Laser Level	Cons.	2014	7	1,255.00			1,255.00	14.94	179.29		194.23
Tandy Computer	Cons.	1994	5	1,300.00			1,300.00	1,300.00	0.00		1,300.00
Toshiba 2830c Copier	Cons.	2010	7	5,762.93			5,762.93	3,704.76	823.28		4,528.04
Downing Display	Cons.	2011	7	1,144.00			1,144.00	572.00	163.43		735.43
Dell Inspiron Laptop (Sabrina)	Cons.	2013	3	979.00		979.00	0.00	163.17	0.00	163.17	0.00
Dell Inspiron Laptop (Ed)	Cons.	2013	3	1,038.00			1,038.00	519.00	346.00		865.00
Dell Inspiron Laptop (Chessa)	Cons.	2014	3	1,069.98			1,069.98	89.17	356.66		445.83
Dell Inspiron Laptop (John)	Cons.	2014	3	1,069.98			1,069.98	89.17	356.66		445.83
Dell Inspiron Laptop (Kevin)	Cons.	2014	3	1,069.98			1,069.98	89.17	356.66		445.83
Dell Inspiron Laptop (Catherine)	Cons.	2014	3	1,272.97			1,272.97	106.08	424.32		530.40
Dell PowerEdge T320 (Server)	Cons.	2014	5	6,157.00			6,157.00	102.62	1,231.40		1,334.02
Dell Latitude 3540 Laptop(Sabrin)	Cons.	2015	3	1,118.40			1,118.40	0.00	372.80		372.80
Total Equipment				50,270.99	1,118.40	979.00	50,410.39	32,750.56	6,044.94	163.17	38,632.33
Total Capital Assets				\$131,677.72	\$1,118.40	\$979.00	\$131,817.12	\$97,868.99	\$13,974.71	\$163.17	\$111,680.53
Capital Assets				Jan. 1	Dec. 31						
Accumulated Depreciation				131,677.72	131,817.12						
Net book value				(97,868.99)	(111,680.53)						
				\$33,808.73	\$20,136.59						

**BREAKDOWN OF COUNTY REVENUE
2015**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 90,000.00
WATER PLAN MONEY	\$ 20,000.00
WETLAND MONEY	\$ 8,778.00
TOTAL	<u>\$ 118,778.00</u>

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

UNEARNED REVENUE BREAKDOWN 2015

Balance of BWSR Service Grants: 20,458.00

Balance of unencumbered BWSR Cost-Share Grants:

2015 Easement Implementation	10,000.00
2013 State Cost-Share (includes \$514.50 of TA Funds)	514.50
2014 State Cost-Share (plus \$539.00 payt not transferred this includes \$861.70 of TA funds)	5,168.10
2013 CWF Cost Share (have only received 90% of Grant, Includes \$9,611.09 of TA Funds)	15,695.03
2016 Buffer Law	35,000.00
2016 MAWQCP	6,000.00
Flood Relief Phase 1	72,775.30
Flood Relief Phase 2	414,186.42
2016 State Cost Share	17,383.00
2014 CWF Nobles Feedlot/Manure Management Activities (\$8,911 of Admin Funds, 50% recd)	41,531.00
2015 State Cost Share	17,383.00

Current Year 635,636.35

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	2013-9	Gene Reker	2,575.02	
CWF Prog.	2013-CWF-01	Ryan Their	4,193.83	
	2013-CWF-30	Joe Wieneke	23,036.63	
CWF Feedlot	2013-CWF-Feedlot-03	Kevin Altman	-----	
FR Phase 1	2014-FR P1-01	Walter Kellen	550.00	
	2014-FR P1-02	Roger Tweet	1008.00	
	2014-FR P1-03	Dale Erlandson	1,706.40	
	2014-FR P1-04	Rod Scheidt	864.00	
	2014-FR P1-08	Lynette Lonneman	5,255.30	
	2014-FR P1-09	Vern Correll	5,000.00	
	2014-FR P1-10	Andy Weiss	10,834.80	
	2014-FR P1-11	Burdell Bents	8,836.00	
	2014-FR P1-12	Jeff Lais	7,284.40	
	2014-FR P1-13	Jeff Lais	9,773.90	
	2014-FR P1-14	Ronald Luettel	7,500.00	
	2014-FR P1-15	Alphonse Menke	17,345.70	
	FR Phase 2	2014-FR P2-01	Lynette Lonneman	44,343.63
		2014-FR P2-02	Todd Kruger	12,109.995
		2014-FR P2-03	Ronald Luettel	5,280.00
15 RR Imp.	2015-01-KA	Kevin Altman	113,750.00	
			281,247.56	

Total of all Cost-Share Encumbrances 281,247.56

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

TOTAL OF ALL DEFERRED REVENUE: 239,860.38

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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.*

B. Financial Reporting Entity

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.

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.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

C. 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

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.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

“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.

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.

D. 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.

E. 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.

F. 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.

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.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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

Long-Term Liabilities, such as compensated absences, are accounted for as an adjustment to net position.

3. Unearned Revenue

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

4. Classification of Net Position

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

- 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.”

5. 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

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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 an 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 type of 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.

Classifications of Fund Balances

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.

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

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

II. DETAILED NOTES ON ALL FUNDS

A. Capital Assets

Changes in Capital Assets:

	<u>Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
Primary Government				
Balance, December 31, 2014	\$ 12,975	\$ 50,271	\$ 68,432	\$ 131,678
Increases	-	1,118	-	1,118
Decreases	-	(979)	-	(979)
Balance, December 31, 2015	<u>12,975</u>	<u>50,410</u>	<u>68,432</u>	<u>131,817</u>
Accumulated Depreciation				
Balance, December 31, 2014	12,975	31,418	52,143	96,536
Increases	-	6,045	7,930	13,975
Decreases	-	(163)	-	(163)
Balance, December 31, 2015	<u>12,975</u>	<u>37,300</u>	<u>60,073</u>	<u>110,348</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 13,111</u>	<u>\$ 8,359</u>	<u>\$ 21,470</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, 2015, consists of the following:

Regular/Special State Cost-Share	\$ 937,342			
Total	\$ 937,342			

C. Compensated Absences

Changes in long-term debt for the period ended December 31, 2014, are:

Balance - January 1, 2015	\$ 14,761
Net change in compensated absences	<u>(6,502)</u>
Balance - December 31, 2015	<u>\$ 8,259</u>

There were no compensated absences payable to terminated employees as of December 31, 2015. 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.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, the carrying amount of the District’s deposits with financial institutions was \$1,174,296, and the bank balance was \$1,185,367. The bank balance is categorized as follows:

Insured by FDIC Insurance	\$ 1,185,367
Covered by Collateral	0
Uninsured/Uncollateralized	<u>0</u>
Total	<u>\$ 1,185,367</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 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, 2015.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.5% of their annual covered salary. The District is required to contribute 7.5% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2015, 2014 and 2013 were \$13,659, \$14,410, and \$11,973, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota 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 2015 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$360	\$360	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.

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 2015 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.