

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Fillmore SWCD’s discussion and analysis provides an overview of the SWCD’s financial activities for the fiscal year ended December 31, 2014. 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 SWCD’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) 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 8. 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 SWCDs are single-purpose, special purpose governments, the SWCD combines the government-wide and fund financial statements into a single presentation.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the SWCD’s finances is, “Is the SWCD 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 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 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 position and changes in them. You can think of the SWCD’s net position--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 position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the SWCD.

In the Statement of Net Position 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 SWCD's General Fund

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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE FILLMORE SWCD AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the SWCD's governmental activities.

Table 1
Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 697,253	\$ 631,093
Capital assets	\$ 120,117	\$ 142,990
Total assets	\$ 817,370	\$ 774,083
Long-term liabilities	\$ 45,392	\$ 52,348
Other liabilities	\$ 248,014	\$ 265,450
Total liabilities	\$ 293,406	\$ 317,798
Net position		
Invested in capital assets, net of debt	\$ 120,117	\$ 142,990
Restricted	\$	\$
Unrestricted	\$ 403,847	\$ 313,295
Total net position	\$ 523,965	\$ 456,285

Net position of the SWCD governmental activities increased by \$67,680 or 14.8 percent (\$523,965 in 2014 compared to \$456,285 in 2013). Last year's net position increased by \$46,420. 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 \$313,295 on December 31, 2013 to \$403,847 at the end of 2014.

This surplus in unrestricted governmental net position arose primarily because of the following factors. Three feedlot projects completed with BWSR funds plus three others utilizing 319 funds from the SE MN Water Resources Board were completed. A portion of these grant funds were received in 2014 with the remainder to be reimbursed in 2015. BWSR's policy is to withhold 40

percent of grant funds until 50 percent of the funds are spent and 10 percent of funds until all grant requirements have been met, so funds received are being recorded as unearned revenue. Total liabilities decreased by about \$24,000 due to a decrease in Deferred Revenue and in Compensated Absences as a result of cash outs to employees who resigned and new employees with lower PTO balances.

Table 2
Changes in Net Position

	<u>Governmental</u> <u>Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for service	\$ 61,994	\$ 66,827
Local grants	\$ 4,037	\$ 42,539
State grants and entitlements	\$ 817,016	\$ 588,658
County Grants	\$ 268,651	\$ 276,892
Miscellaneous revenues		
Investment earnings	\$ 5,742	\$ 5,042
Other misc.	\$ 96,044	\$ 10,763
Federal entitlements	\$ 87,013	\$ 72,587
Other general revenues		
Total revenues	\$1,340,496	\$1,063,308
Program expenses		
General government		
Conservation		
Current	\$1,262,035	\$ 989,842
Capital Outlay	\$ 3,672	\$ 27,046
Total expenses	\$1,265,707	\$1,016,888
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net position	\$ 74,789	\$ 46,420

The SWCD's total revenues (excluding special items) increased by 26.1 percent (\$277,188) from 2013 to 2014. This increase was largely due to the completion of feedlot projects using over \$400,000 in Clean Water Fund grants, of which \$310,000 has been received and about \$92,000 is in Other Miscellaneous Revenue as invoiced amounts yet to be received from BWSR. Several other state grants increased in 2014. Completion of the Mississippi River Basin Initiative Technical Assistance grant for conservation planning resulted in reimbursements that totaled \$87,013 in 2014, about \$15,000 more than 2013. The total cost of all programs and services increased by \$248,819 in 2014 compared to 2013, a 24.5 percent increase. This increase was also tied to the feedlot projects completed plus more state cost share projects completed in 2014. The net position for governmental activities increased in 2014 by \$74,789. This compares to an increase of \$46,420 in net position in 2013.

Governmental Activities

The SWCD did not request an increase in its county allocation in 2014, so it remained the same at \$210,000 as it has since 2008. Increases in expenses, especially personnel costs, have been made up through other funding sources. The SWCD has been taking opportunities to bring in more revenues through grants and contracts for additional services mentioned above. Contracts with MN Department of Ag, MN Pollution Control Agency, and MN DNR have continued or were renewed. Two FY14 Clean Water Fund grants were awarded for two staff positions (one to the SWCD and one through a sub-recipient agreement with the SE MN Technical Support JPB). One position will be funded through 2016 and the other through 2018. Due to staffing vacancies and SWCD Board policy changes regarding health insurance coverage, health insurance costs were down by \$21,000 in 2014. The policy changes to encourage more HSA plan enrollments with the SWCD making contributions to the HSAs is intended to reduce premium increases over the next several years while maintaining adequate coverage for employees.

The cost of all governmental activities this year was \$1,265,707 compared to \$1,016,888 last year. Overall, the SWCD's governmental revenues, including intergovernmental aid and fees for services, increased from \$1,063,308 in 2013 to \$1,340,496 in 2014 principally due to the increase in state grants. The SWCD paid for the remaining "public benefit" portion of governmental activities with other revenues, such as interest (\$5,742), charges for services (\$61,994) and a Contribution Agreement with NRCS (\$87,013).

THE FILLMORE SWCD's FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 8) reported a combined fund balance of \$449,240, which is above last year's total of \$365,643. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted on pages 2 and 3.

General Fund Budgetary Highlights

Over the course of the year, the Fillmore SWCD Board of Supervisors did not revise the SWCD's 2014 budget.

The actual changes to revenues were \$2,571 over the final budget amounts. State and federal grant revenues were under budget by \$93,708 while local and county revenues exceeded budgeted amounts by \$8,781. Interest earnings were over budget by \$1,742 and miscellaneous revenues were more than budgeted by \$95,544 which includes invoiced amounts of over \$92,000 from BWSR for feedlot project reimbursements to be distributed to other accounts when received. The variance in expenditures was \$88,134 less than the final budget. The final result was an excess of revenues over expenditures of \$90,705. The most significant variance from the budget in expenditures occurred in the SWCD's expenditures for state-funded cost share practices, including feedlot projects. The Board did approve a 1.5% cost of living increase for staff in 2014 to align with the County's pay scale. Step increases were given as scheduled to all employees in recognition of the need to keep highly qualified and dedicated employees. Short-term (2-3 year) grant cycles continue to present a

challenge for maintaining stable funding in order to keep experienced employees. Two employees who had been with the SWCD for 5-7 years resigned in 2014 for more stable state agency positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the SWCD had \$120,117 invested in a broad range of capital assets, including a building, 4 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of \$22,873, or 16 percent, from last year.

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

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Conservation Building	\$ 56,266	\$ 59,392
Equipment	<u>\$ 63,851</u>	<u>\$ 83,392</u>
	<u>\$120,117</u>	<u>\$142,990</u>

This year’s major additions included:

4 Desktop Computers	\$3,672
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The SWCD’s fiscal-year 2015 capital budget calls for spending \$6,942 for a Health Insurance Contingency Fund. The SWCD has no plans to issue additional debt to finance these projects. Rather, revenues generated by the SWCD through its projects and programs will be used. More detailed information about the SWCD’s capital assets is presented in Note 2 (page 19) to the financial statements.

Long-Term Liabilities

At the end of 2014, the SWCD had \$45,392 in accrued compensated absences. This compares to \$52,348 in 2013.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Fillmore SWCD’s elected officials considered many factors when setting the fiscal year 2015 budget and fees that will be charged for the business-type activities. The FY14 and 15 state cost share grant has been decreased to \$24,289 per year from \$31,576 for FY12 and FY13. It was reduced to \$23,281 in 2010 and \$23,520 in 2011 compared to \$43,432 in FY09. Conservation Delivery Grants and Easement Delivery Grants have remained relatively stable.

The ag economy saw a decline due to lower commodity prices for corn and soybeans from the previous two years. Crops were planted late due to late season snow, and an early frost set the crops back in early October. More producers are beginning to use cover crops and accessing the cover

crop expertise of the Area Soil Health Technician. Livestock prices stabilized somewhat. Good crop prices create an incentive to plant more acres, but lower prices reduce the profit margins leaving less disposable income for conservation. Higher EQIP payment rates have reduced demand for state cost share funds. Considering these factors, it is difficult to predict any major changes in landowner demand for conservation. One-to-one contact with producers is the best way to generate interest in conservation. One staff person continues to update HEL conservation plans, which are an effective way to identify conservation needs.

Livestock producers approved for EQIP and Clean Water Funds and those who want to improve their feedlot operations and manure management as a way to improve profits are utilizing the services of the SWCD's Nutrient Management Specialist and Feedlot Technician. Three large feedlot runoff control projects were completed in 2014 (funded by Clean Water Funds) along with three smaller projects utilizing additional 319 funds. One FY14 CWF feedlot project funded for \$170,083 is expected to be completed in 2015. However, none of the projects submitted in the FY15 Clean Water Fund application were funded. The Grazing Specialist grant ended in 2014, and the position transitioned into the Area Soil Health Technician position with a FY14 Shared Services grant through the SE MN Technical JPB. He is working in 11 counties providing technical assistance for managed grazing, cover crops and other soil health practices working closely with NRCS which is providing a vehicle and computer for his use. The Nutrient Management Specialist serves five counties and has 170 contacts and more than 120 plans completed on almost 70,000 acres. That position was vacant from August to October. All of the FY12 grant has been expended. A FY15 grant was approved for half the position with the other half of the position's funding coming through a Joint Powers Agreement with MDA to conduct N BMP outreach and set up on-farm plots to compare N rates. Fees for new plans and plan updates continue to provide a match for the Clean Water Fund grant.

The Root River WRAPS (aka Comprehensive Strategy) grant ended in June 2014 with completion of the strategy table. A funding application for the next stage of watershed planning was approved in June 2014 for the Root River One Watershed, One Plan pilot project. Two staff people are partially funded through this grant to be day-to-day contacts and coordinators for the pilot project. The result will be a watershed plan approved by the six counties, six SWCDs and one Watershed District in the planning area which includes the Upper Iowa and the Mississippi-Reno watersheds. Portions of two staff positions are funded through a grant from MDA for a study of BMP effectiveness in three small watersheds in the Root River watershed, which is funded to June 30, 2015. The NRCS agreement for MRBI technical assistance funds ended in August 2014. The funds paid for staff to update conservation plans and generate conservation needs. A FY14 BWSR Clean Water Fund Soil Erosion and Drainage Law Compliance grant is funding a 0.75 FTE to continue this work through 2016. A BWSR Farm Bill Assistance Grant also funds part of the Conservation Technician position along with the Wetland Conservation Act grant. All of these additional funds should allow the SWCD to maintain staffing and cover some administrative costs.

A FY13 Community Partners grant will provide mini-grants for projects to manage and treat urban storm water. One project was completed in 2014, and two proposals are being developed. The grant period ends in December 2015.

The bacteria testing lab was certified in May of 2009. Although maintaining the lab certification is costly, it is a service that is especially beneficial for private well owners and for stream monitoring projects conducted by the SWCD and other entities.

Personnel services are the SWCD's largest expense and the expense that continues to rise. Health insurance rates have been on the increase; however, the Board enacted policies to reduce the SWCD's costs for health insurance costs over the next few years. Reducing the allowable cap on PTO accumulation has helped to reduce the rising liability for compensated absences.

CONTACTING THE 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 Donna Rasmussen, District Administrator at (507) 765-3878 ext. 3.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and investments	\$547,731		\$547,731
Accounts receivable	148,875		148,875
Interest receivable	648		648
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		120,117	120,117
Total Assets	<u>\$697,253</u>	<u>\$120,117</u>	<u>\$817,370</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	(\$39)		(\$39)
Salaries payable	15,900		15,900
Payroll liabilities	55		55
Earnest money	1,000		1,000
Sales tax payable	534		534
Deferred revenue trees	2,893		2,893
Unearned revenue	227,671		227,671
Long-term liabilities:			
Due within one year		0	0
Due after one year		45,392	45,392
Total Liabilities	<u>\$248,014</u>	<u>\$45,392</u>	<u>\$293,406</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	107,811	(107,811)	0
Unassigned	341,428	(341,428)	0
Total Fund Balance	<u>\$449,240</u>	<u>(\$449,240)</u>	<u>\$0</u>
Net Assets			
Invested in capital assets		\$120,117	\$120,117
Unassigned		403,847	403,847
Total Net Position		<u>\$523,965</u>	<u>\$523,965</u>

Notes are an integral part of the basic financial statements.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$1,176,717	\$0	\$1,176,717
Charges for services	61,994	0	61,994
Investment earnings	5,742	0	5,742
Miscellaneous	96,044	0	96,044
Total Revenues	<u>\$1,340,496</u>	<u>\$0</u>	<u>\$1,340,496</u>
Expenditures/Expenses			
Conservation			
Current	\$1,246,119	\$19,588	\$1,265,707
Capital outlay	3,672	(3,672)	0
Total Expenditures/Expenses	<u>\$1,249,791</u>	<u>\$15,916</u>	<u>\$1,265,707</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$90,705	(\$15,916)	\$74,789
Fund Balance/Net Position January 1	358,534	90,642	449,176
Fund Balance/Net Position December 31	<u><u>\$449,239</u></u>	<u><u>\$74,726</u></u>	<u><u>\$523,965</u></u>

Notes are an integral part of the basic financial statements.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$262,057	\$262,057	\$268,651	\$6,594
Local	1,850	1,850	4,037	2,187
Federal	105,000	105,000	87,013	(17,987)
State grant	901,518	901,518	817,016	(84,502)
Total intergovernmental	<u>\$1,270,425</u>	<u>\$1,270,425</u>	<u>\$1,176,717</u>	<u>(\$93,708)</u>
Charges for services	<u>\$63,000</u>	<u>\$63,000</u>	<u>\$61,994</u>	<u>(\$1,006)</u>
Miscellaneous				
Interest earnings	\$4,000	\$4,000	\$5,742	\$1,742
Other	500	500	96,044	95,544
Total miscellaneous	<u>\$4,500</u>	<u>\$4,500</u>	<u>\$101,786</u>	<u>\$97,286</u>
Total Revenues	<u>\$1,337,925</u>	<u>\$1,337,925</u>	<u>\$1,340,496</u>	<u>\$2,571</u>
Expenditures				
District operations				
Personnel services	\$637,821	\$637,821	\$616,773	\$21,048
Other services and charges	80,100	80,100	69,747	10,353
Supplies	3,000	3,000	2,061	939
Capital outlay	14,362	14,362	3,672	10,691
Total district operations	<u>\$735,283</u>	<u>\$735,283</u>	<u>\$692,253</u>	<u>\$43,030</u>
Project expenditures				
District	\$54,200	\$54,200	\$44,430	\$9,770
State	548,442	548,442	513,107	35,335
Total project expenditures	<u>\$602,642</u>	<u>\$602,642</u>	<u>\$557,538</u>	<u>\$45,104</u>
Total Expenditures	<u>\$1,337,925</u>	<u>\$1,337,925</u>	<u>\$1,249,791</u>	<u>\$88,134</u>
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$90,705	\$90,705
Fund Balance - January 1	<u>\$324,888</u>	<u>\$324,888</u>	<u>\$358,534</u>	<u>\$0</u>
Fund Balance - December 31	<u>\$324,888</u>	<u>\$324,888</u>	<u>\$449,239</u>	<u>\$90,705</u>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2014**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 24,580.47
WETLAND MONEY	\$ 11,883.43
FEEDLOT MONEY	\$ 22,187.50
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u><u>\$268,651.40</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
2014**

Balance of BWSR Service Grants:	Conservation Delivery	\$ 20,133.00
	Easement Delivery	\$ 2,031.00
Balance of <u>unencumbered</u> BWSR Cost-Share Grants:	Current fiscal year	\$ 23,577.28
	Previous fiscal year	\$ 0.00

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY2012	FY12-21	515.12	128.78
FY2013	FY12-21	1,924.88	481.22
	FY13-07	3,786.00	946.50
	FY13-14	1,780.92	445.24
	FY13-15	496.50	124.13
FY2014	FY13-14	175.08	43.77
	FY13-15	55.50	13.88
	FY14-05	2,460.00	615.00
	FY14-08	2,400.00	600.00
	FY14-09	1,230.62	307.66
FY2014	FWQMG	149,633.00	20,250.00
	FY14-1		
FY2015	FY14-09	569.38	142.36

Total of all Cost-Share Encumbrances \$189,125.52

Balance of County WCA Funds:	\$ 8,644.54
Balance of County Local Water Plan Funds:	\$ 5,766.29

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

BWSR FY2014 Conservation Planning Grant	\$ 45,633.14	
BWSR SE MN Soil Health Technical Assistance Grant	\$ 99,591.04	
BWSR FY2013 Community Partners Grant	\$ 21,038.96	
SE JPB Nutrient Management Grant	\$ 2,779.88	
Subtotal of other funds:		\$169,043.02

TOTAL OF ALL UNEARNED REVENUE:	\$418,320.65
Less Deferred Not Received from BWSR (50/40/10)	<u>\$190,650.00</u>
Adjusted Unearned Revenue:	\$227,670.65

Capital Assets

Year End 12/31/2014

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2014 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation	Asset Balance
Buildings	District Building		1997	35	\$ 109,407.00			\$ -	\$ 109,407.00	\$ 50,014.61	\$ 3,125.91	\$ -	\$ 53,140.52	\$ 56,266.48
	District Building Updates		2009	10	\$ 2,405.22			\$ -	\$ 2,405.22	\$ 1,202.60	\$ 240.52	\$ -	\$ 1,443.12	\$ 962.10
Vehicles	2004 Dodge Dakota		2004	7	\$ 12,958.00			\$ -	\$ 12,958.00	\$ -	\$ -	\$ -	\$ 12,958.00	\$ -
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75			\$ -	\$ 15,751.75	\$ 15,751.75	\$ -	\$ -	\$ 15,751.75	\$ -
	2013 Chevy Silverado PU		2012	7	\$ 20,835.88			\$ -	\$ 20,835.88	\$ 3,720.70	\$ 2,976.55	\$ -	\$ 6,697.25	\$ 14,138.63
	2013 Chevy Impala		2013	7	\$ 18,311.18	\$ -	\$ -	\$ -	\$ 18,311.18	\$ 2,615.88	\$ 2,615.88	\$ -	\$ 5,231.76	\$ 13,079.42
Equipment, furniture and vehicles	Tree Planter		1952	15	\$ 500.00			\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00	\$ -
	File Cabinets	Conservation	1988	10	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Wall Dividers & legs (4)		1988	10	\$ 800.00			\$ -	\$ 800.00	\$ 800.00	\$ -	\$ -	\$ 800.00	\$ -
	2-way hand radios		1989	5	\$ 1,000.00			\$ -	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00	\$ -
	Gopher Poisoning Machine		1990	15	\$ 1,350.00			\$ -	\$ 1,350.00	\$ 1,350.00	\$ -	\$ -	\$ 1,350.00	\$ -
	Survey Level/Tripod/Survey Rod		1993	15	\$ 2,000.00			\$ -	\$ 2,000.00	\$ 2,000.00	\$ -	\$ -	\$ 2,000.00	\$ -
	Back-saver Soil Probe		1993	15	\$ 500.00			\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00	\$ -
	Grass Seeder		1998	15	\$ 1,000.00			\$ -	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00	\$ -
	Pressure transducer		1999	5	\$ 597.63			\$ -	\$ 597.63	\$ 597.63	\$ -	\$ -	\$ 597.63	\$ -
	CR510 Dataloggers/software		1999	3	\$ 3,282.23			\$ -	\$ 3,282.23	\$ 3,282.23	\$ -	\$ -	\$ 3,282.23	\$ -
	Display Board		1999	10	\$ 737.76			\$ -	\$ 737.76	\$ 737.76	\$ -	\$ -	\$ 737.76	\$ -
	Office Furniture		1999	10	\$ 9,153.68			\$ -	\$ 9,153.68	\$ 9,153.68	\$ -	\$ -	\$ 9,153.68	\$ -
	YSI 85/50 Ft Meter - DO, Temp, Conductivity		1999	10	\$ 1,454.83			\$ -	\$ 1,454.83	\$ 1,454.83	\$ -	\$ -	\$ 1,454.83	\$ -
	Tree Planter		2000	15	\$ 6,810.67			\$ -	\$ 6,810.67	\$ 5,902.56	\$ 454.04	\$ -	\$ 6,356.60	\$ 454.07
	ArcView 3.2 for Windows		2000	3	\$ 1,031.45			\$ -	\$ 1,031.45	\$ 1,031.45	\$ -	\$ -	\$ 1,031.45	\$ -
	EPSON Stylus Pro 9000 Plotter		2000	7	\$ 8,350.90			\$ -	\$ 8,350.90	\$ 8,350.90	\$ -	\$ -	\$ 8,350.90	\$ -
	DELL Computer w/accessories		2000	5	\$ 2,406.93			\$ -	\$ 2,406.93	\$ 2,406.93	\$ -	\$ -	\$ 2,406.93	\$ -
	GPS Unit w/receiver		2000	5	\$ 6,107.78			\$ -	\$ 6,107.78	\$ 6,107.78	\$ -	\$ -	\$ 6,107.78	\$ -
	Spatial Analyst for ArcView		2000	3	\$ 2,405.30			\$ -	\$ 2,405.30	\$ 2,405.30	\$ -	\$ -	\$ 2,405.30	\$ -
	Karst Trunk		2000	10	\$ 4,444.00			\$ -	\$ 4,444.00	\$ 4,444.00	\$ -	\$ -	\$ 4,444.00	\$ -
	Office furniture (GIS Station)		2001	10	\$ 1,604.74			\$ -	\$ 1,604.74	\$ 1,604.74	\$ -	\$ -	\$ 1,604.74	\$ -
	Spatial Analysts extension for Arcview 8.1		2001	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	ArcView 8.1		2001	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Desk Unit		2002	10	\$ 1,595.00			\$ -	\$ 1,595.00	\$ 1,595.00	\$ -	\$ -	\$ 1,595.00	\$ -
	Canon N676U Scanner		2002	5	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00			\$ -	\$ 11,966.00	\$ 8,775.04	\$ 797.73	\$ -	\$ 9,572.77	\$ 2,393.23
	OrthoMapper		2003	3	\$ 2,517.00			\$ -	\$ 2,517.00	\$ 2,517.00	\$ -	\$ -	\$ 2,517.00	\$ -
	DELL GIS Computer System		2003	5	\$ 1,455.00			\$ -	\$ 1,455.00	\$ 1,455.00	\$ -	\$ -	\$ 1,455.00	\$ -
	Eagle Point CAD Software		2005	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Auto CAD Software		2005	3	\$ 1,800.00			\$ -	\$ 1,800.00	\$ 1,800.00	\$ -	\$ -	\$ 1,800.00	\$ -
	Laptop Computer HP H25		2005	5	\$ 1,300.00			\$ -	\$ 1,300.00	\$ 1,300.00	\$ -	\$ -	\$ 1,300.00	\$ -
	GPS Mobilemapper CE + Acces.		2005	3	\$ 4,659.99			\$ -	\$ 4,659.99	\$ 4,659.99	\$ -	\$ -	\$ 4,659.99	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31			\$ -	\$ 955.31	\$ 955.31	\$ -	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31			\$ -	\$ 955.31	\$ 955.31	\$ -	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.30			\$ -	\$ 955.30	\$ 955.30	\$ -	\$ -	\$ 955.30	\$ -
	Windows Vista w/visent		2008	3	\$ 814.73			\$ -	\$ 814.73	\$ 814.73	\$ -	\$ -	\$ 814.73	\$ -
	Office Professional Plus		2008	3	\$ 3,322.80			\$ -	\$ 3,322.80	\$ 3,322.80	\$ -	\$ -	\$ 3,322.80	\$ -
	ArcView		2008	3	\$ 6,532.62			\$ -	\$ 6,532.62	\$ 6,532.62	\$ -	\$ -	\$ 6,532.62	\$ -
	Arc GIS Spatial Analyst		2008	3	\$ 2,177.05			\$ -	\$ 2,177.05	\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -
	Arc GIS Publisher		2008	3	\$ 2,177.05			\$ -	\$ 2,177.05	\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -
	Acrobat Pro/Endpoint protection Software		2008	3	\$ 679.48			\$ -	\$ 679.48	\$ 679.48	\$ -	\$ -	\$ 679.48	\$ -
	Buffalo Terastation Pro II		2008	5	\$ 1,059.66			\$ -	\$ 1,059.66	\$ 1,059.66	\$ -	\$ -	\$ 1,059.66	\$ -
	HP switch and Firewall Router		2008	5	\$ 534.33			\$ -	\$ 534.33	\$ 534.33	\$ -	\$ -	\$ 534.33	\$ -
	HP CP2025 DN Printer & Tray		2008	5	\$ 930.81			\$ -	\$ 930.81	\$ 930.81	\$ -	\$ -	\$ 930.81	\$ -
	Desk Unit		2008	10	\$ 1,789.47			\$ -	\$ 1,789.47	\$ 1,073.70	\$ 178.95	\$ -	\$ 1,252.65	\$ 536.82
	Turbidity Sensors & Cables	TMDL	2008	5	\$ 22,792.31			\$ -	\$ 22,792.31	\$ 22,792.31	\$ -	\$ -	\$ 22,792.31	\$ -
	Data Logger & Software	TMDL	2008	3	\$ 937.98			\$ -	\$ 937.98	\$ 937.98	\$ -	\$ -	\$ 937.98	\$ -
	Site Mate Scouting Software	TMDL	2008	3	\$ 1,065.00			\$ -	\$ 1,065.00	\$ 1,065.00	\$ -	\$ -	\$ 1,065.00	\$ -

Capital Assets

Year End 12/31/2014

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2014 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation	Asset Balance
	Dell Latitude D630 laptop	TMDL	2008	5	\$ 1,747.76				\$ 1,747.76	\$ 1,747.76	\$ -	\$ -	\$ 1,747.76	\$ -
	HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01				\$ 845.01	\$ 845.01	\$ -	\$ -	\$ 845.01	\$ -
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69				\$ 1,010.69	\$ 1,010.69	\$ -	\$ -	\$ 1,010.69	\$ -
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ 942.53			\$ -	\$ 942.53	\$ 942.53	\$ -	\$ -	\$ 942.53	\$ -
	Office Pro Plus Software		2009	3	\$ 610.25			\$ -	\$ 610.25	\$ 610.25	\$ -	\$ -	\$ 610.25	\$ -
	Office Professional Plus Renewal		2009	3	\$ 2,828.64			\$ -	\$ 2,828.64	\$ 2,828.64	\$ -	\$ -	\$ 2,828.64	\$ -
	HP Z400 Computer & Memory		2010	5	\$ 1,491.97				\$ 1,491.97	\$ 1,193.58	\$ 298.39	\$ -	\$ 1,491.97	\$ -
	Windows 7 Upgrade		2010	3	\$ 599.57				\$ 599.57	\$ 599.57	\$ -	\$ -	\$ 599.57	\$ -
	Pressure vacuum handpump w/gauge		2010	5	\$ 691.24				\$ 691.24	\$ 553.00	\$ 138.24	\$ -	\$ 691.24	\$ -
	Eppendorf Repeater plus pipettor and tips		2010	5	\$ 752.20				\$ 752.20	\$ 601.76	\$ 150.44	\$ -	\$ 752.20	\$ -
	Tile drain control structure	Sm. Watershed	2011	5	\$ 925.75				\$ 925.75	\$ 555.45	\$ 185.15	\$ -	\$ 740.60	\$ 185.15
	Isco sampler interface & cable	Sm. Watershed	2011	3	\$ 605.00				\$ 605.00	\$ 605.00	\$ -	\$ -	\$ 605.00	\$ -
	Data logger w/keyboard & display	Sm. Watershed	2011	3	\$ 1,853.32				\$ 1,853.32	\$ 1,853.32	\$ -	\$ -	\$ 1,853.32	\$ -
	Camcorder, tripod, mic, memory & case	Sm. Watershed	2011	5	\$ 742.84				\$ 742.84	\$ 594.28	\$ 148.56	\$ -	\$ 742.84	\$ -
	Nitrate Monitoring Sensors, Install Kits	Comp Strategy	2012	5	\$ 58,470.28				\$ 58,470.28	\$ 23,388.12	\$ 11,694.06	\$ -	\$ 35,082.18	\$ 23,388.10
	Controller & warranty	Comp Strategy	2012	5	\$ 2,185.59				\$ 2,185.59	\$ 1,311.36	\$ 437.12	\$ -	\$ 1,748.48	\$ 437.11
	Solar Panels	Comp Strategy	2012	5	\$ 600.72				\$ 600.72	\$ 360.42	\$ 120.14	\$ -	\$ 480.56	\$ 120.16
	Pressure Transducer	Sm. Watershed	2012	5	\$ 816.85				\$ 816.85	\$ 490.11	\$ 163.37	\$ -	\$ 653.48	\$ 163.37
	Topper for 2013 Chev. Pickup		2013	7	\$ 2,660.76	\$ -			\$ 2,660.76	\$ 380.11	\$ 380.11	\$ -	\$ 760.22	\$ 1,900.54
	MS5 Sonde Probe & Sensors	WPLMN	2013	5	\$ 4,487.70	\$ -			\$ 4,487.70	\$ 897.54	\$ 897.54	\$ -	\$ 1,795.08	\$ 2,692.62
	Data logger & cable	WPLMN	2013	5	\$ 1,586.03	\$ -			\$ 1,586.03	\$ 317.21	\$ 317.21	\$ -	\$ 634.42	\$ 951.61
	HP EliteBook 840 Gi Laptop		2014	3		\$ 995.32	\$ 995.32		\$ 995.32	\$ -	\$ 331.77	\$ -	\$ 331.77	\$ 663.55
	HP EliteDesk 800 Gi SFF Computer		2014	3		\$ 669.04	\$ 669.04		\$ 669.04	\$ -	\$ 223.01	\$ -	\$ 223.01	\$ 446.03
	HP EliteDesk 800 Gi SFF Computer		2014	3		\$ 669.04	\$ 669.04		\$ 669.04	\$ -	\$ 223.01	\$ -	\$ 223.01	\$ 446.03
	HP EliteDesk 800 Gi SFF Computer		2014	3		\$ 669.05	\$ 669.05		\$ 669.05	\$ -	\$ 223.02	\$ -	\$ 223.02	\$ 446.03
	HP EliteDesk 800 Gi SFF Computer		2014	3		\$ 669.05	\$ 669.05		\$ 669.05	\$ -	\$ 223.02	\$ -	\$ 223.02	\$ 446.03
					\$ 402,353.83	\$ -	\$ 3,671.50	\$ -	\$ 406,025.33	\$ 259,364.52	\$ 26,543.77	\$ -	\$ 285,908.28	\$ 120,117.06

		1/1/2014	12/31/2014	FY2013 Ending Fixed Asset Balance	\$ 402,353.83
Capital Assets	\$	402,353.83	\$ 406,025.33	FY2014 Additions	\$ 3,671.50
Accumulated Depreciation	\$	259,364.52	\$ 285,908.28	FY2014 Deletions	\$ -
Net book value	\$	142,989.32	\$ 120,117.05		\$ 406,025.33

Depreciation Expense \$ 26,543.77

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

Note 1 – Summary of Significant Accounting Policies

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

Financial Reporting Entity

The Fillmore Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Fillmore Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan that is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Fillmore 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.

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 Statement

The government-wide financial statements (i.e. The Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the District.

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

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

Fund Financial Statement

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

Government 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 be used 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.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted account principles requires management to make estimates and assumptions that affect the reported amounts of

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

Assets, Liabilities, and Equity Accounts

The SWCD adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in 2012. Under the new standards, financial statements will include deferred outflows of resources and deferred inflows of resources (“deferrals”), in addition to assets and liabilities, and will report *net position* instead of net assets.

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 an adjustment to net position.

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 investment in capital assets.

Classification of Fund Balances

The SWCD follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

Fund balance is divided into five classifications based primarily on the extent to which the SWCD 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 the 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 provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the SWCD 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 previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the SWCD 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 SWCD 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 restricted 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.

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 SWCD has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles 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 of Compensated Absence liability the SWCD 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, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the Note on Long-Term Liabilities.

Paid Time Off

Under the District's personnel policies, employees are granted paid time off (PTO) in varying amounts based on their length of service. PTO accrual varies from 3.69 to 10.17 hours per pay

period. Upon termination from the District by retirement, employees are paid accrued PTO up to 50% of accrued sick leave up to a maximum of 400 hours.

Risk Management

The SWCD is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The SWCD retains risk for the deductible portion 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. The SWCD pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$402,354	\$ 3,062	\$ -0-	\$406,025
Less Accumulated Depreciation	<u>\$259,364</u>	<u>\$26,544</u>	<u>\$ -0-</u>	<u>\$285,908</u>
Net Capital Assets	<u>\$142,990</u>			<u>\$120,117</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment. Current year depreciation is \$26,544.

The SWCD uses the threshold of \$500 for capitalizing assets purchased.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2014, consists of the following: BWSR Service Grants, \$22,164; BWSR Cost Share, BWSR Feedlot Clean Water Fund Grant, \$169,883; BWSR Cost Share, \$42,820; BWSR Natural Resource Block Grant (WCA and Local Water Plan), \$14,411; BWSR Clean Water Funds, \$169,043; Total \$418,321.

Long-Term Liabilities – Compensated Absences Payable

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

Balance January 1, 2014	\$52,348.32
<u>Net Changes in Compensated Absences</u>	<u>\$(6,956.24)</u>
Balance December 31, 2014	<u>\$45,392.08</u>

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the SWCD to designate a depository for public funds and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. Minnesota Statute 118A.03 requires that all SWCD 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.

At December 31, 2014, the SWCD's deposits totaled \$547,730.55, of which \$89,023.24 was cash deposits and \$458,707.31 was invested in certificates of deposit. At December 31, 2014, all the SWCD's deposits were covered by insurance or collateralized with securities held by the SWCD or its agent in the SWCD's name.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the SWCD's deposits may not be returned to it. The SWCD does not have a deposit policy for custodial credit risk. As of December 31, 2014, the SWCD's deposits were not exposed to custodial credit risk.

Note 3 – Defined Benefit Pension Plans - Statewide

Plan Description – Public Employees Retirement Association

The SWCD 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 Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

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 SWCD makes annual

contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.25% of their annual covered salary in 2014. The SWCD was required to contribute 7.25 % of annual covered payroll. The SWCD's employer share of contributions to PERA for the years ending December 31, 2014, 2013, and 2012 were \$29,920.80, \$31,138.67, and \$30,620.42 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

Note 4 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement, total costs for 2014 were \$18,994.68.

Note 5 - Reconciliation of Fund Balance to net Position

Governmental Fund Balance, January 1	\$ 358,534
Plus: Excess of Revenue over Expenditures	<u>\$ 90,705</u>
Governmental Fund Balance, December 31	\$ 449,239
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$ 120,117
Less: Long-Term Liabilities	<u>\$ (45,392)</u>
Net Position	<u>\$ 523,965</u>

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

Change in Fund Balance	\$ 90,705
Capital Outlay	\$ 3,672
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level	\$ (26,544)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>\$ 6,956</u>
Net change in net position	<u>\$ 74,789</u>