

**FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015**

The Fillmore SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the 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 one 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 | |
|---|----------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 523,152 | \$ 697,498 |
| Capital assets | \$ 99,747 | \$ 120,117 |
| Deferred Outflows of Resources | <u>\$ 51,453</u> | ---- |
| Total assets | \$ 674,352 | \$ 817,615 |
| Long-term liabilities | \$ 44,468 | \$ 45,392 |
| Other liabilities | \$ 260,174 | \$ 247,600 |
| Deferred Inflows of Resources | \$ 57,305 | |
| Net Pension Liability | <u>\$ 367,959</u> | ---- |
| Total liabilities | \$ 729,906 | \$ 292,992 |
| Net position | | |
| Invested in capital assets, net of debt | \$ 99,747 | \$ 120,117 |
| Restricted | | |
| Unrestricted | <u>\$ (155,301)</u> | <u>\$ 404,506</u> |
| Total net position | \$ (55,554) | \$ 524,623 |

Net position of the SWCD governmental activities decreased from \$524,623 in 2014 to (\$55,554) in 2015, or 111 percent. Last year's net position increased by \$68,338. 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 a surplus of \$404,506 on December 31, 2014, to a deficit of \$(155,301) at the end of 2015.

The decrease in unrestricted governmental net position arose primarily from the requirement to include the District's pension liability in total liabilities according to 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. Total liabilities increased by \$436,914 due largely to the addition of \$425,264 in deferred inflows of resources and net pension liability. Another factor affecting the change in net position is the decrease in current assets because revenues from state grants were reduced. Part of that reduction was due to an adjustment made by the auditor to the 2015 feedlot grant revenue to correct for overstating revenues in 2014 due to expenditures paid by the District for which the state funds had not yet been received. This understated the deferred revenue account and overstated the revenue account in 2014 resulting in the need for the adjustment in 2015.

Table 2
Changes in Net Position

| | Governmental Activities | |
|---|----------------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for service | \$ 59,410 | \$ 62,392 |
| Local grants | \$ 11,006 | \$ 4,037 |
| State grants and entitlements | \$ 529,331 | \$ 892,213 |
| County Grants | \$ 260,872 | \$ 268,651 |
| Miscellaneous revenues | | |
| Investment earnings | \$ 4,392 | \$ 6,006 |
| Other misc. | \$ 28,097 | \$ 13,718 |
| Federal entitlements | \$ --- | \$ 87,013 |
| Other general revenues | \$ --- | \$ --- |
| Total revenues | \$ 893,108 | \$1,334,030 |
| Program expenses | | |
| General government | | |
| Conservation | | |
| Current | \$1,072,628 | \$ 1,246,104 |
| Capital Outlay | \$ 7,401 | \$ 3,671 |
| Total expenses | \$1,080,029 | \$ 1,249,775 |
| Excess (deficiency) before special items and transfers | \$ (186,920) | \$ 84,255 |
| Change in Accounting Principle Transfers | \$ (370,815) | |
| Increase (decrease) in net position | \$ (55,555) | \$ 68,338 |

The SWCD's total revenues (excluding special items) decreased by 33.1 percent (\$440,992) from 2014 to 2015. This decrease was largely due to the reduction in large feedlot projects in 2015 plus the auditor's adjustment to feedlot grant revenues. The total cost of all programs and services decreased by \$169,746 in 2015 compared to 2014 (13.6 percent decrease). This decrease was a result of lower state grant expenses in 2015, again in large part due to fewer large feedlot

projects being completed. The net position for governmental activities decreased in 2015 by \$55,555. This compares to an increase of \$68,338 in net position in 2014.

Governmental Activities

The SWCD received an increase of \$5000 in its county allocation in 2015 for a total of \$215,000, the first increase 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. For example, funds were available through MASWCD for completing Continuous CRP conservation plans that generated an additional \$25,000 in revenue. Contracts with MN Department of Ag, MN Pollution Control Agency, and MN DNR have continued or were renewed. Clean Water Fund grants provide funding for all or part of three staff positions (one to the SWCD and two through a sub-recipient agreement with the SE MN Technical Support JPB). Health insurance costs were reduced in 2015 due to changes made by employees in their coverage choices.

The cost of all governmental activities this year was \$1,080,029 compared to \$1,249,775 last year. Overall, the SWCD's governmental revenues, including intergovernmental aid and fees for services, decreased from \$1,334,030 in 2014 to \$893,108 in 2015 principally due to the decrease in funding from state feedlot grants. The SWCD paid for the remaining "public benefit" portion of governmental activities with other revenues, such as interest (\$4,392), charges for services (\$59,410) and a Contribution Agreement with MASWCD (\$25,000).

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 \$262,978, which is less than last year's total of \$449,898. 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 2015 budget.

The actual changes to revenues were \$233,279 under the final budget amounts. State grant revenues were under budget by \$254,749 while local and county revenues were within \$79 of the budgeted amount. Revenues from several state grants were under what had been budgeted due to a variety of reasons, including grant extensions and subcontracts that came in under budget. Interest earnings were over budget by \$1,392 and miscellaneous revenues were more than budgeted by \$27,097. The variance in expenditures was \$46,358 less than the final budget. The most significant variance from the budget in expenditures was in the SWCD's expenditures from state grants: MDA Field to Stream Partnership Grants, Healthy Forests for Healthy Water Grant, and 319 Feedlot Grant. The final result was that revenues were less than expenditures by \$186,920.

The Board approved a 2% cost of living increase for staff in 2015 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the SWCD had \$99,747 invested in a broad range of capital assets, including a building, 5 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net decrease (including additions and deductions) of \$20,370, or 17 percent, from last year.

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

| | Governmental Activities | |
|-----------------------|----------------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| Conservation Building | \$ 53,141 | \$ 56,266 |
| Equipment | \$ 46,606 | \$ 63,851 |
| | <u>\$ 99,747</u> | <u>\$120,117</u> |

This year’s major additions included:

| | |
|--------------------------|---------|
| 5 Desktop Computers | \$4,200 |
| 2002 Jeep Grand Cherokee | \$2,650 |
| NAS Network Server | \$ 551 |

The SWCD’s fiscal-year 2016 capital budget includes \$17,000 for mobile devices for field data collection and mapping and \$30,000 for vehicle replacement, both sets of purchases utilizing FY2016 BWSR Local Capacity Grant funds. 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 2015, the SWCD had \$44,468 in accrued compensated absences. This compares to \$45,392 in 2014, a decrease of \$924.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Fillmore SWCD’s elected officials considered many factors when setting the fiscal year 2016 budget and fees that will be charged for business-type activities. Following is a summary of

the SWCD's current grants that help to fund District activities and staff and influenced the Board's budget considerations:

- The FY16 and 17 state cost share grant remained the same as FY2014/2015 at \$24,289. It has been reduced over the years from a high of \$43,432 in FY09. All remaining FY2013 and FY2014 state cost share projects were completed and paid in 2015, and all FY2015 funds are encumbered with all but one project completed and paid in 2015.
- Conservation Delivery Grants and Easement Delivery Grants have remained relatively stable at \$20,133 and \$1,899, respectively, and are used for ongoing operations and technical assistance.
- Two new BWSR grants, the Buffer Grant (\$30,000) and Ag Water Quality Certification Program Grant (\$6,000), are being used for technical assistance and program promotion.
- The FY2016 BWSR Local Capacity Grant of \$100,000 is being used to improve data collection and management, replace an aging vehicle, provide cost share for cover crops, and provide staffing for stormwater education/outreach and preparation for implementing the Root River watershed plan.
- One staff, funded in part by a FY2014 BWSR Clean Water Fund Soil Erosion and Drainage Law Compliance, continues to update USDA HEL conservation plans to identify conservation needs.
- More producers are beginning to use cover crops and accessing the cover crop expertise of the Area 7 Soil Health Technician housed in the Fillmore SWCD office. The position is funded through a BWSR Shared Services Grant to the SE SWCD Technical Support JPB.
- One FY2014 state funded feedlot project was completed in 2015 for about \$170,000, which also included technical assistance funding. A FY2016 Clean Water Fund application for three projects was not approved for funding.
- The Nutrient Management Specialist works with producers in five counties. The position is funded in half by a FY2015 Clean Water Fund grant through the SE SWCD Technical Support JPB. The other half of the position is funded 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.
- Two staff were partially funded in 2015 through the Root River One Watershed, One Plan pilot program grant to be day-to-day contacts and coordinators for the pilot. The plan draft is almost complete and is expected to be submitted to BWSR for approval by mid-2016.
- Portions of two staff positions are funded through monitoring grants from:
 - MDA Field to Stream Partnership to study BMP effectiveness in three small watersheds in the Root River watershed through June 30, 2017
 - MPCA Watershed Pollutant Load Monitoring Network through June 30, 2017
 - MPCA Surface Water Assessment Grant for monitoring in the Upper Iowa watershed in 2015
- A BWSR Farm Bill Assistance Grant and the Wetland Conservation Act Grant fund part of the Conservation Technician position.
- Technical assistance funds from MDA are being used to plan, design and install conservation practices in the Field to Stream Partnership watersheds. A FY2016 CWF grant for \$804,385 has been approved to leverage federal funds to install practices and provide technical assistance in two subwatersheds of the Root River.

Grant administration funds are charged to several of these grants plus others as a means for supporting ongoing District staffing and program needs. Personnel services are the SWCD's largest expense and the expense that continues to rise as the staff gains experience and seniority. 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
DECEMBER 31, 2015**

| | General Fund | Adjustments | Statement of Net Position |
|---|-------------------|---------------------|------------------------------|
| Assets | | | |
| Cash and Investments | \$ 447,963 | \$ - | \$ 447,963 |
| Prepaid Items | | - | - |
| Accounts Receivable | 39,636 | | \$ 39,636 |
| Due from other Governments | 35,000 | | \$ 35,000 |
| Interest Receivable | 552 | | \$ 552 |
| Capital Assets: | | | |
| Equipment (net of accumulated depreciation) | - | 99,747 | 99,747 |
| Total Assets | <u>523,152</u> | <u>99,747</u> | <u>622,899</u> |
| Deferred Outflows of Resources | | | |
| Defined Benefit Pension Plan | | 51,453 | 51,453 |
| Combined Assets and Deferred Outflows of Resources | | | |
| | <u>\$ 523,152</u> | <u>\$ 151,200</u> | <u>\$ 674,352</u> |
| Liabilities | | | |
| Current Liabilities: | | | |
| Unearned Revenue | \$ 238,658 | \$ - | \$ 238,658 |
| Accrued Wages | 18,732 | - | 18,732 |
| Payroll Liabilities | (404) | | (404) |
| Sales & Use Tax Payable | 176 | | 176 |
| Deposit on Sales | 3,012 | - | 3,012 |
| Long-term Liabilities: | | | |
| Net Pension Liability | | 367,959 | 367,959 |
| Due after one year | - | 44,468 | 44,468 |
| Total Liabilities | <u>260,174</u> | <u>412,427</u> | <u>672,601</u> |
| Deferred Inflows of Resources | | | |
| Defined Benefit Pension Plan | | 57,305 | 57,305 |
| Combined Liabilities and Deferred Inflows of Resources | | | |
| | <u>\$ 260,174</u> | <u>\$ 469,732</u> | <u>\$ 729,906</u> |
| Fund Balance/Net Position | | | |
| Fund Balance | | | |
| Nonspendable - Prepays | \$ - | \$ - | \$ - |
| Assigned - Compensated Absences | 44,468 | (44,468) | - |
| Assigned - Health Insurance Contingency Fund | 6,942 | (6,942) | - |
| Assigned - Self-insured Unemployment Ins. | 10,000 | (10,000) | - |
| Assigned - Conservation Building Maintenance | 2,990 | (2,990) | - |
| Assigned - Computer & Equipment Fund | 10,534 | (10,534) | - |
| Assigned - Special District Projects | 23,899 | (23,899) | - |
| Assigned - Summer Construction Cost Share | 3,458 | (3,458) | - |
| Assigned - Vehicle Replacement | 51,755 | (51,755) | - |
| Unassigned | 108,932 | (108,932) | - |
| Total Fund Balance | <u>\$ 262,978</u> | <u>\$ (262,978)</u> | <u>\$ -</u> |
| Net Position | | | |
| Investments in Capital Assets | | \$ 99,747 | \$ 99,747 |
| Unrestricted | | (155,301) | (155,301) |
| Total Net Position | | <u>\$ (55,554)</u> | <u>\$ (55,554)</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, 2015**

| | General Fund | Adjustments | Statement of Activities |
|--|---------------------|---------------------|----------------------------|
| Revenues | | | |
| Intergovernmental | \$ 801,209 | \$ - | \$ 801,209 |
| Charges for Services | 59,410 | - | 59,410 |
| Investment Earnings | 4,392 | - | 4,392 |
| Miscellaneous | 28,097 | - | 28,097 |
| Total Revenues | <u>\$ 893,108</u> | <u>\$ -</u> | <u>\$ 893,108</u> |
| Expenditures/Expenses | | | |
| Conservation | | | |
| Current | \$ 1,072,628 | \$ 29,843 | \$ 1,102,471 |
| Capital Outlay | 7,401 | (7,401) | - |
| Total Expenditures/Expenses | <u>\$ 1,080,029</u> | <u>\$ 22,442</u> | <u>\$ 1,102,471</u> |
| Excess of Revenues Over (Under) Expenditures/Expenses | <u>\$ (186,920)</u> | <u>\$ (22,442)</u> | <u>\$ (209,363)</u> |
| Fund Balance/Net Position January 1 | \$ 449,898 | \$ (15,917) | \$ 524,623 |
| Change in Accounting Principle | | <u>(370,815)</u> | <u>(370,815)</u> |
| Fund Balance/Net Position December 31 | <u>\$ 262,978</u> | <u>\$ (409,174)</u> | <u>\$ (55,555)</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, 2015**

| | Original/ Final Budget | Actual | Variance With Final Budget Positive (Neg) |
|---------------------------------|------------------------------|-------------------------|---|
| Revenues | | | |
| Intergovernmental | | | |
| County | \$ 264,307 | \$ 260,872 | \$ (3,435) |
| Local | 7,650 | 11,006 | 3,356 |
| Federal | - | - | - |
| State Grant | 784,080 | 529,331 | (254,749) |
| Total Intergovernmental | <u>\$ 1,056,037</u> | <u>\$ 801,209</u> | <u>\$ (254,828)</u> |
| Charges for Services | <u>\$ 66,350</u> | <u>\$ 59,410</u> | <u>\$ (6,940)</u> |
| Miscellaneous | | | |
| Interest Earnings | \$ 3,000 | \$ 4,392 | \$ 1,392 |
| Other | 1,000 | 28,097 | 27,097 |
| Total Miscellaneous | <u>\$ 4,000</u> | <u>\$ 32,489</u> | <u>\$ 28,489</u> |
| Total Revenues | <u>\$ 1,126,387</u> | <u>\$ 893,108</u> | <u>\$ (233,279)</u> |
| Expenditures | | | |
| District Operations | | | |
| Personnel Services | \$ 593,149 | \$ 608,844 | \$ (15,695) |
| Other Services and Charges | 78,200 | 61,343 | 16,858 |
| Supplies | 3,000 | 2,001 | 999 |
| Capital Outlay | 6,942 | 7,401 | (459) |
| Total District Operations | <u>\$ 681,291</u> | <u>\$ 679,588</u> | <u>\$ 1,703</u> |
| Project Expenditures | | | |
| District | \$ 46,918 | \$ 34,808 | \$ 12,110 |
| State | 398,178 | 365,633 | 32,545 |
| Total Project Expenditures | <u>\$ 445,096</u> | <u>\$ 400,441</u> | <u>\$ 44,655</u> |
| Total Expenditures | <u>\$ 1,126,387</u> | <u>\$ 1,080,029</u> | <u>\$ 46,358</u> |
| Excess of Revenues Over (Under) | | | |
| Expenditures | <u>\$ -</u> | <u>\$ (186,920)</u> | <u>\$ (186,920)</u> |
| Fund Balance - January 1 | \$ 365,643 | \$ 449,898 | \$ - |
| Fund Balance - December 31 | <u>\$ 365,643</u> | <u>\$ 262,978</u> | <u>\$ (186,920)</u> |

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2015**

COUNTY REVENUES (breakdown):

| | |
|-------------------|----------------------|
| ANNUAL ALLOCATION | \$ 215,000.00 |
| WATER PLAN MONEY | \$ 22,061.88 |
| WETLAND MONEY | \$ 20,116.53 |
| FEEDLOT MONEY | \$ 3,694.08 |
| ABANDONED WELL | \$ _____ |
| DNR SHORELAND | \$ _____ |
| OTHER (specify) | \$ _____ |
| | |
| TOTAL | <u>\$ 260,872.49</u> |

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

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

**UNEARNED REVENUE BREAKDOWN
2015**

Balance of BWSR Service Grants: Conservation Delivery \$ 20,133.00
 Easement Delivery \$ 3,889.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 18,628.64
 Previous fiscal year \$ 92.50

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

| FY | Contract No. | Contract Amount | T & A Encumbered |
|------|--------------|-----------------|------------------|
| 2015 | FY15-09 | 757.71 | 189.43 |
| 2016 | FY15-09 | 580.29 | 145.07 |
| | FY16-01 | 3,948.00 | 987.00 |
| | FY16-03 | 1,444.00 | 361.00 |
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Total of all Cost-Share Encumbrances \$ 6,607.50

Balance of County WCA Funds: \$ 1,695.01
 Balance of County Water Plan Funds: \$ 4,844.41
 Balance of other funds being deferred (list if any):

BWSR FY2014 Conservation Planning Grant \$ 975.73
BWSR SE MN Soil Health Technical Assistance Grant \$ 44,920.91
FY2015 Nutrient Management Grant \$ 51,742.90
BSWR Healthy Forest Healthy Waters Grant \$ 50,000.00
FY2016 Buffer Law \$ 29,750.20
MAWQCP \$ 5,377.97

Subtotal of other funds: \$189,307.13

TOTAL OF ALL UNEARNED REVENUE: \$238,657.77

Capital Assets

Year End 12/31/2015

Exhibit 3

| Class | Asset | Expenditure Function | Purchased/Constructed | Useful Life | Beginning Balance | Adjusted Balance | Additions | Deletions | Ending Balance | Beginning Accumulated Depreciation | 2015 Depreciation | <\$500 Deletion | Ending Accumulated Depreciation | Asset Balance |
|-----------------------------------|---|----------------------|-----------------------|-------------|-------------------|------------------|-------------|---------------|----------------|------------------------------------|-------------------|-----------------|---------------------------------|---------------|
| Buildings | District Building | | 1997 | 35 | \$ 109,407.00 | | \$ - | \$ 109,407.00 | \$ 53,140.52 | \$ 3,125.91 | \$ - | \$ - | \$ 56,266.43 | \$ 53,140.57 |
| | District Building Updates | | 2009 | 10 | \$ 2,405.22 | | | \$ 2,405.22 | \$ 1,443.12 | \$ 240.52 | \$ - | \$ - | \$ 1,683.64 | \$ 721.58 |
| Vehicles | 2004 Dodge Dakota | | 2004 | 7 | \$ 12,958.00 | | | \$ 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 | \$ 6,697.25 | \$ 2,976.55 | \$ - | \$ - | \$ 9,673.80 | \$ 11,162.08 |
| | 2013 Chevy Impala | | 2013 | 7 | \$ 18,311.18 | | \$ - | \$ 18,311.18 | \$ 5,231.76 | \$ 2,615.88 | \$ - | \$ - | \$ 7,847.64 | \$ 10,463.54 |
| | 2002 Jeep Grand Cherokee | | 2015 | 7 | | | \$ 2,650.00 | \$ 2,650.00 | \$ - | \$ 378.57 | \$ - | \$ - | \$ 378.57 | \$ 2,271.43 |
| 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 | \$ 6,356.60 | \$ 454.07 | \$ - | \$ - | \$ 6,810.67 | \$ - |
| | 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 | \$ 9,572.77 | \$ 797.73 | \$ - | \$ - | \$ 10,370.50 | \$ 1,595.50 |
| | 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 | \$ 1,252.65 | \$ 178.95 | \$ - | \$ - | \$ 1,431.60 | \$ 357.87 |
| | 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 | \$ - |
| | 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 | \$ 1,491.97 | \$ - | \$ - | \$ - | \$ 1,491.97 | \$ - |
| | Windows 7 Upgrade | | 2010 | 3 | \$ 599.57 | | \$ - | \$ 599.57 | \$ 599.57 | \$ - | \$ - | \$ - | \$ 599.57 | \$ - |

Capital Assets

Year End 12/31/2015

Exhibit 3

| Class | Asset | Expenditure Function | Purchased/Constructed | Useful Life | Beginning Balance | Adjusted Balance | Additions | Deletions | Ending Balance | Beginning Accumulated Depreciation | 2015 Depreciation | <\$500 Deletion | Ending Accumulated Depreciation | Asset Balance |
|-------|---|----------------------|-----------------------|-------------|-------------------|------------------|-------------|-----------|----------------|------------------------------------|-------------------|-----------------|---------------------------------|---------------|
| | Pressure vacuum handpump w/gauge | | 2010 | 5 | \$ 691.24 | | | | \$ 691.24 | \$ 691.24 | \$ - | \$ - | \$ 691.24 | \$ - |
| | Eppendorf Repeater plus pipettor and tips | | 2010 | 5 | \$ 752.20 | | | | \$ 752.20 | \$ 752.20 | \$ - | \$ - | \$ 752.20 | \$ - |
| | Tile drain control structure | Sm. Watershed | 2011 | 5 | \$ 925.75 | | | | \$ 925.75 | \$ 740.60 | \$ 185.15 | \$ - | \$ 925.75 | \$ - |
| | 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 | \$ 742.84 | \$ - | \$ - | \$ 742.84 | \$ - |
| | Nitrate Monitoring Sensors, Install Kits | Comp Strategy | 2012 | 5 | \$ 58,470.28 | | | | \$ 58,470.28 | \$ 35,082.18 | \$ 11,694.06 | \$ - | \$ 46,776.24 | \$ 11,694.04 |
| | Controller & warranty | Comp Strategy | 2012 | 5 | \$ 2,185.59 | | | | \$ 2,185.59 | \$ 1,748.48 | \$ 437.11 | \$ - | \$ 2,185.59 | \$ - |
| | Solar Panels | Comp Strategy | 2012 | 5 | \$ 600.72 | | | | \$ 600.72 | \$ 480.56 | \$ 120.16 | \$ - | \$ 600.72 | \$ - |
| | Pressure Transducer | Sm. Watershed | 2012 | 5 | \$ 816.85 | | | | \$ 816.85 | \$ 653.48 | \$ 163.37 | \$ - | \$ 816.85 | \$ - |
| | Topper for 2013 Chev. Pickup | | 2013 | 7 | \$ 2,660.76 | | | | \$ 2,660.76 | \$ 760.22 | \$ 380.11 | \$ - | \$ 1,140.33 | \$ 1,520.43 |
| | MS5 Sonde Probe & Sensors | WPLMN | 2013 | 5 | \$ 4,487.70 | | | | \$ 4,487.70 | \$ 1,795.08 | \$ 897.54 | \$ - | \$ 2,692.62 | \$ 1,795.08 |
| | Data logger & cable | WPLMN | 2013 | 5 | \$ 1,586.03 | | | | \$ 1,586.03 | \$ 634.42 | \$ 317.21 | \$ - | \$ 951.63 | \$ 634.40 |
| | HP EliteBook 840 Gi Laptop | | 2014 | 3 | \$ 995.32 | | | | \$ 995.32 | \$ 331.77 | \$ 331.77 | \$ - | \$ 663.54 | \$ 331.78 |
| | HP EliteDesk 800 Gi SFF Computer | | 2014 | 3 | \$ 669.04 | | | | \$ 669.04 | \$ 223.01 | \$ 223.01 | \$ - | \$ 446.02 | \$ 223.02 |
| | HP EliteDesk 800 Gi SFF Computer | | 2014 | 3 | \$ 669.04 | | | | \$ 669.04 | \$ 223.01 | \$ 223.01 | \$ - | \$ 446.02 | \$ 223.02 |
| | HP EliteDesk 800 Gi SFF Computer | | 2014 | 3 | \$ 669.05 | | | | \$ 669.05 | \$ 223.02 | \$ 223.02 | \$ - | \$ 446.04 | \$ 223.01 |
| | HP EliteDesk 800 Gi SFF Computer | | 2014 | 3 | \$ 669.05 | | | | \$ 669.05 | \$ 223.02 | \$ 223.02 | \$ - | \$ 446.04 | \$ 223.01 |
| | ByteSpeed H81-1 Desktop Computer | | 2015 | 3 | | \$ 700.00 | \$ 700.00 | \$ - | \$ 700.00 | \$ - | \$ 233.33 | \$ - | \$ 233.33 | \$ 466.67 |
| | ByteSpeed H81-1 Desktop Computer | | 2015 | 3 | | \$ 700.00 | \$ 700.00 | \$ - | \$ 700.00 | \$ - | \$ 233.33 | \$ - | \$ 233.33 | \$ 466.67 |
| | ByteSpeed H81-1 Desktop Computer | | 2015 | 3 | | \$ 700.00 | \$ 700.00 | \$ - | \$ 700.00 | \$ - | \$ 233.33 | \$ - | \$ 233.33 | \$ 466.67 |
| | ByteSpeed H81-1 Desktop Computer | | 2015 | 3 | | \$ 700.00 | \$ 700.00 | \$ - | \$ 700.00 | \$ - | \$ 233.33 | \$ - | \$ 233.33 | \$ 466.67 |
| | ByteSpeed H81M-C Desktop Computer | | 2015 | 3 | | \$ 1,400.00 | \$ 1,400.00 | \$ - | \$ 1,400.00 | \$ - | \$ 466.67 | \$ - | \$ 466.67 | \$ 933.33 |
| | My Cloud DL2100 4 TB NAS-Network Server | | 2015 | 3 | | \$ 550.59 | \$ 550.59 | \$ - | \$ 550.59 | \$ - | \$ 183.53 | \$ - | \$ 183.53 | \$ 367.06 |
| | | | | | \$ 406,025.33 | \$ - | \$ 7,400.59 | \$ - | \$ 413,425.92 | \$ 285,908.28 | \$ 27,770.26 | \$ - | \$ 313,678.51 | \$ 99,747.41 |

| | | | | | |
|--------------------------|----|-------------------|---------------------|-----------------------------------|---------------|
| | | 1/1/2015 | 12/31/2015 | FY2014 Ending Fixed Asset Balance | \$ 406,025.33 |
| Capital Assets | \$ | 406,025.33 | \$ 413,425.92 | FY2015 Additions | \$ 7,400.59 |
| Accumulated Depreciation | \$ | 285,908.28 | \$ 313,678.51 | FY2015 Deletions | \$ - |
| Net book value | \$ | <u>120,117.06</u> | \$ <u>99,747.41</u> | | \$ 413,425.92 |

Depreciation Expense \$ 27,770.26

Fillmore Soil and Water Conservation District
Notes to the Financial Statements
Year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Fillmore 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).

Changes in Accounting Principles

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

Financial Reporting Entity

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

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control water and wind erosion, pollution of groundwater and streams, and damage to wetlands and wildlife habitats. The District provides technical and financial assistance to individuals, groups, Districts, and governments to reduce costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

Each calendar 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.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

Government-Wide Financial Statements

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

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

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

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

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

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

Budget Information

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

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

Liabilities

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

Unearned Revenue

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

Classification of Net Position

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

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

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

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Deferred Outflows/Inflows of Resources

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

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

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

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

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations 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 District. Those committed amounts cannot be used for any other purposes unless the District 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 District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District or the District Administrator who has been delegated that authority by District resolution.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance 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 District 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 Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence Liability the District has as of the report date. See note on Long-Term Liabilities.

Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, 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.

Vacation and Sick Leave

Under the District's personnel policies, employees are granted paid time off (PTO) leave in varying amounts based on their length of service. Paid time off leave accrual varies from 3.69 to 10.17 hours per month. The limit on the accumulation of paid time off leave is 400 hours. Upon termination of employment from the District, employees are paid accrued PTO and 50% of sick leave, up to a maximum of 400 hours as of December 31, 2014.

Risk Management

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

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

Note 2 - Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

| | <u>Beginning</u> | <u>Addition</u> | <u>Deletion</u> | <u>Ending</u> |
|--------------------------------|------------------|-----------------|-----------------|------------------|
| Equipment | \$406,025 | \$7,401 | \$0 | \$412,875 |
| Less: Accumulated Depreciation | 285,908 | | | 313,679 |
| Net Capital Assets | <u>\$120,117</u> | | | <u>\$ 99,747</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 \$27,770.

The District 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, 2015, consists of the following: BWSR Conservation Delivery, \$20,133; BWSR Easement Delivery Grant, \$3,889; BWSR Cost Share Programs, \$25,329; BWSR Natural Resources Block Grant (WCA and Local Water Plan), \$6,539; Clean Water Funds, \$182,768; Total, \$238,658.

Long-Term Liabilities - Compensated Absences Payable

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

| | |
|------------------------------------|-----------------|
| Balance December 31, 2015 | \$45,392 |
| Net Change in Compensated Absences | <u>(923)</u> |
| Balance December 31, 2015 | <u>\$44,468</u> |

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description - Public Employees Retirement Association

The District contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minn. Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-1855.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. 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 \$33,132.17, \$29,920.80, and \$31,138.67, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 - Operating Leases

The District leases office space on a yearly basis. Under the current agreement, total costs for 2015 were \$19,200.

Note 5 - Stewardship, Compliance and Accountability

Excess of expenditures over budget – The General Fund did not have expenditures in excess of the budget for the year.

Note 6 - Reconciliation of Fund Balance to Net Position

| | |
|--|--------------------|
| Governmental Fund Balance, January 1 | \$ 449,898 |
| Plus: Excess of Revenue Over Expenditures | \$ (186,920) |
| Governmental Fund Balance, December 31 | <u>\$ 262,978</u> |
| Adjustments from Fund Balance to Net Position: | |
| Plus: Capital Assets | \$ 99,747 |
| Plus: Deferred Outflows of Resources | 51,453 |
| Less: Long-Term Liabilities | 412,427 |
| Less: Deferred Inflows of Resources | 57,305 |
| Net Position | <u>\$ (55,554)</u> |

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

| | |
|--|--------------------|
| Change in Fund Balance | \$(186,920) |
| Capital Outlay | 7,401 |
| The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level. | (27,770) |
| In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned. | 924 |
| In the statement of activities certain operating expenses – Pension and other post-employment benefits – are measured By the amounts earned during the year. | <u>(2,998)</u> |
| Change in Net Position | <u>\$(209,363)</u> |

**FILLMORE SOIL AND WATER CONSERVATION DISTRICT
PRESTON, MINNESOTA**

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| Fiscal Year Ending | Statutorily Required Contributions (a) | Contributions in Relation to the Statutorily Required Contributions (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|-----------------------|---|--|---|------------------------|---|
| 2015 | \$ 32,630 | \$ 30,893 | \$ 1,737 | \$ 435,069 | 7.10% |

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30 of the previous year.

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| Fiscal Year Ending | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|---|--|------------------------|---|--|
| 2015 | 13.356% | \$ 51,453 | \$ 435,069 | 0.01% | 78.19% |

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30 of the previous year.

See Independent Auditor's Report