

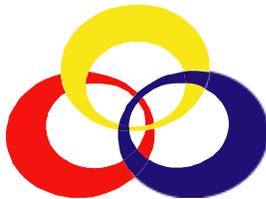
FINANCIAL AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2014



Lac qui Parle Soil and Water Conservation District

122 8th Avenue S.
Madison MN 56256
320-598-7321 Ext. 3
FAX 320-598-3432

The mission of the Lac qui Parle Soil and Water Conservation District is to take available technical, financial and educational resources, whatever their source, and focus or coordinate them so that they meet the needs of the local land user to help him/her protect Lac qui Parle's natural resources.



Kinner & Company Ltd
Certified Public Accountants

Taxes, QuickBooks & Investments

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
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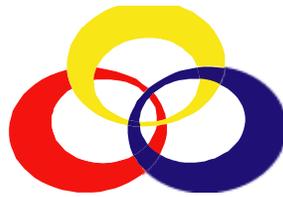
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**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
BOARD OF SUPERVISORS
DECEMBER 31, 2014**

<u>Board of Supervisors</u>	<u>Position</u>
Ed Radermacher	Chairperson
Jeff Johnson	Vice-Chairperson
Tony Croatt	Secretary
Bob Ludvigson	Treasurer
Daryl Schutte	Reporter

District Manager

Terry Wittnebel



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INDEPENDENT AUDITOR'S REPORT

Governing Board
Lac Qui Parle Soil and Water Conservation District
Madison, MN 56256

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Lac Qui Parle Soil and Water Conservation District, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Lac Qui Parle Soil and Water Conservation District, Minnesota as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lac Qui Parle Soil and Water Conservation District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the Lac Qui Parle Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lac Qui Parle Soil and Water Conservation District's internal control over financial reporting and compliance.



Kinner & Company Ltd
Certified Public Accountants

June 5, 2015

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

The Lac qui Parle Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the 2014 activities, resulting changes, and currently known facts, it should be read in conjunction with the District's Financial Statements and Notes to the Financial Statements following this section.

FINANCIAL HIGHLIGHTS

The SWCD's fund balance on the Governmental Revenues, Expenditures and Changes in Fund Balance increased due to the revenues exceeding the expenditures.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

- Management's Discussion and Analysis
 - Includes an overall narrative and description of the financial state of the Lac qui Parle Soil and Water Conservation District.
 - Includes tables demonstrating Changes in Net Position, Governmental Activities, and Capital Assets at year-end.
- Basic Financial Statements
 - The Statement of Net Position and the Statement of Activities
 - § Provide information about the Lac qui Parle SWCD as a whole and present a longer-term view of the District's finances.
 - Fund Financial Statements
 - § Tell how governmental activities were financed as well as what remains for future spending.
 - § Report the Lac qui Parle SWCD operations in more detail than the government-wide statements by providing information about the most significant fund.
 - § Since Soil and Water Conservation Districts are single-purpose special-purpose governments, they are generally able to combine the government-wide and fund financial statements into single presentations. The LqP SWCD has elected to present in this format.
 - Notes to the Financial Statements
 - § Help explain specific line items in the Basic Financial Statements, and demonstrates a comprehensive evaluation of the District's financial state.
 - § Give brief or detailed explanations on how the financial numbers were derived.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

The Statement of Net Position and the Statement of Activities

The analysis of the Lac qui Parle Soil and Water Conservation District as a whole begins with page 4. 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 SWCDs' net position and changes in them. One 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. Other nonfinancial factors also need to be considered 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

Fund Financial Statements

The fund financial statements provide detailed information about the general fund—not the Soil and Water Conservation District as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the 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. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation included with the financial statements.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

The SWCD as a Whole – Governmental Activities

The Lac qui Parle Soil and Water Conservation District's combined assets were slightly higher than last year, increasing from \$90,698 to \$92,748, a positive difference of \$2,050. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the SWCD's governmental activities.

**Table 1
Statement of Net Position**

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 194,484	\$ 185,126
Capital Assets Net of Depreciation	1,606	5,063
Total Assets	196,090	190,189
Long-Term Liabilities Outstanding	10,246	9,637
Current Liabilities	93,096	89,854
Total Liabilities	103,342	99,491
Net Position		
Net Investment in Capital Assets	1,606	5,063
Restricted	50,961	44,845
Unrestricted	40,181	40,790
Total Net Position	\$ 92,748	\$ 90,698

The net position of the SWCD's governmental activities changed by \$2,050, which reflects a 2% increase (\$92,748 compared to \$90,698). Restricted net position was \$50,961 at the end of 2014. Unrestricted net position, which may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$40,181 at the end of 2014.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

**TABLE 2
Changes in Net Position**

	Governmental Activities	
	2014	2013
Revenues		
Program Revenues:		
Charges for Service	\$ 26,871	\$ 21,618
Federal Grants	-0-	-0-
State Grants and Entitlements	111,064	97,740
County Grants and Entitlements	124,443	122,946
Other General Revenues	5,282	8,479
TOTAL Revenues	267,660	250,783
Expenses		
Program Expenses:		
Conservation	265,610	256,523
TOTAL Expenses	265,610	256,523
Change in Net Position	\$ 2,050	\$ (5,740)

The SWCD's total revenues increased by \$16,877, or 6.7%. The total cost of all programs and services increased by \$9,087, or 3.5% with no new programs added this year. The analysis below separately considers the operations of governmental activities.

Revenues:

- State Revenue:
 - With the current accounting system, income is not actually considered revenue, until costs are incurred and expended. The District paid out on fifteen cost-share projects in 2014. The cost-share years included 2012, 2013 and 2014. Cost Share Funds, Conservation Delivery Grants, and Easement Delivery Grants that are received but not expended are considered carry-over.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

- In reality, the District received the following grant money for 2014, meaning that these funds were directly issued to the District by the State of Minnesota Board of Water and Soil Resources:

	<u>2014</u>	<u>2013</u>
Easement Services Base Grant	\$ 8,953	\$ 9,491
Conservation Delivery Grant	18,750	18,750
State Cost Share Base Grant	<u>20,521</u>	<u>26,677</u>
TOTAL BWSR Revenue	<u>\$48,224</u>	<u>\$54,921</u>

The difference in State Funding reflects a decrease of \$6,697.

- County Grants and Entitlements:
 - The Lac qui Parle County contribution increased to \$102,000.
 - The SWCD administers the Lac qui Parle County Water Plan. The funds remained the same as 2013 at \$15,453. The revenue total includes a minimal amount of carry-over funds, which are not recognized until spent.
- Charges for Services:
 - Charges for Services, from 2013 to 2014 increased by \$5,253, or roughly 24%. The main reason for the increase is due to adding tree tube sales and also an increased use of the grass drill.
- Other General Revenue:
 - Changes in these accounts reflect a change from 2013 at \$8,479 and 2014 at \$5,282 a decrease of \$3,197.

Expenditures:

- Conservation:
 - The District saw a 4.3% increase in Conservation Expenses. The increase was due in part to paying out more for State Cost-Share expenses. The District paid out a total of \$22,418 for cost share in 2014 as opposed to \$8,168 in 2013.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Governmental Activities

Revenues for the District Governmental Activities increased by 6.7 percent or \$16,877 (from \$250,783 to \$267,660) while total expenses increased by 4.3 percent or \$10,654 (from \$250,890 to \$261,544). See previous section, Changes in Net Position, for detailed information.

**Table 3
Governmental Activities**

	Total Cost of Services	
	<u>2014</u>	<u>2013</u>
Conservation	<u>\$261,544</u>	<u>\$250,890</u>
Totals	<u>\$261,544</u>	<u>\$250,890</u>

The cost of all governmental activities relating to project expenses this year was \$87,184 compared to \$86,213 last year. There was a slight increase of \$971 in expenses in 2014. This increase was due in part to purchasing tree tubes for the district tree program which have not been used in the past. Other project expenses were fairly consistent with the previous year.

THE SWCD's FUNDS

As the Lac qui Parle Soil and Water Conservation District completed the year, its general fund reported a combined fund balance of \$101,388 which is \$6,116 above last year's total of \$95,272. See THE LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT AS A WHOLE to review a detailed synopsis of the 2014 District Revenues and Expenses.

General Fund Budgetary Highlights

The District did not revise the original budget. Good faith efforts and financial projections were made to create the original budget. General fund revenues were \$52,776 and \$77,679 lower than budget for 2014 and 2013. Expenditures were \$58,892 and \$77,572 lower than budget in 2014 and 2013. The variances are due to a state grant the District had anticipated getting but did not end up receiving. The District is continuing to use residuum codes, which helped immensely with how the budget was perceived and developed. They are sub codes within the standard codes. In using the residuum codes there is a more concise breakdown of revenues and expenditures, and allows the District to differentiate between current and prior year funds. With the inclusion of the codes, the District also has the ability to view 2014 transactions that used current year or prior year funds within the same report.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2014, the District had \$86,314 invested in a broad range of capital assets, including a lot and cooling unit in the tree storage building, vehicles, fabric mulch machine, no-till drill, and laptop computers. (See Table 4 below.) This amount has not changed from the previous year as the district did not add or subtract from their capital assets, therefore, there is no increase or decrease in total capital assets from last year.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 1,000	\$ 1,000
Buildings and improvements	10,179	10,179
Equipment, Vehicles	75,135	75,135
Total Assets	<u>\$86,314</u>	<u>\$ 86,314</u>
(Net of Depreciation)	\$ 1,606	\$ 5,063

The SWCD's fiscal year 2014 capital budget is set at \$8,000, taking into consideration that there may be a need to pay for replacement computers. Due to USDA changes in the networking system in the building, one new desktop computer was purchased in order to function with the upgraded system. The computer purchased was less than the \$1,000 threshold, so was not added to the Capital Asset schedule.

Long-Term Liabilities

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in Note 1. D. to the basic financial statements.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lac qui Parle Soil and Water Conservation District'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 SWCD anticipates a decrease in their tree and fabric sales due to the change in the State cost-share rules, not allowing farmstead windbreaks to be cost-shared. They did slightly increase the prices of the trees due to the increase in cost of the trees. Due to continued difficult financial times, the State of Minnesota funding to the Soil and Water Conservation Districts through the Board of Water and Soil Resources continue to be reduced in many areas, while at the same time new grant opportunities are presented. The District welcomes the new funding opportunities, but express concern that many hours are invested into each grant application process, with no guarantee of funds.

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 any questions about this report or need additional financial information, contact the Lac qui Parle Soil and Water Conservation District at 122 8th Avenue South, Madison, Minnesota, or call 320-598-7321 x3.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-Wide Financial Statements

Fund Financial Statements:

Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, 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 cash equivalents	\$183,179		\$183,179
Accounts receivable	203		203
Due from other governments	7,550		7,550
Inventory	3,552		3,552
Capital Assets:			
Non-depreciable		1,000	1,000
Depreciable (net of accumulated depreciation)		606	606
Total Assets	<u>\$194,484</u>	<u>\$1,606</u>	<u>\$196,090</u>
<u>Liabilities</u>			
Current liabilities:			
Unearned revenue	\$93,096		\$93,096
Long-term liabilities:			
Due after one year-Compensated Absences		10,246	10,246
Total Liabilities	<u>\$93,096</u>	<u>\$10,246</u>	<u>\$103,342</u>
<u>Fund Balance/Net Position</u>			
Fund Balance/Net Position			
Nonspendable	\$3,552	\$(3,552)	
Unrestricted			
Committed	42,836	(42,836)	0
Unassigned	55,000	(55,000)	0
Total Fund Balance	<u>\$101,388</u>	<u>(\$101,388)</u>	<u>\$0</u>
Net Position			
Invested in capital assets		1,606	1,606
Restricted		50,961	50,961
Unrestricted		40,181	40,181
Total Net Position		<u>\$92,748</u>	<u>\$92,748</u>

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, 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	\$235,507	\$0	\$235,507
Charges for services	26,871	0	26,871
Investment earnings	513	0	513
Miscellaneous	4,769		4,769
Total Revenues	<u>\$267,660</u>	<u>\$0</u>	<u>\$267,660</u>
Expenditures/Expenses			
Conservation			
Current	\$260,943	\$4,667	\$265,610
Capital outlay	601	(601)	0
Total Expenditures/Expenses	<u>\$261,544</u>	<u>\$4,066</u>	<u>\$265,610</u>
Net Change in Fund Balance	6,116	(4,066)	2,050
Fund Balance/Net Position January 1	<u>95,272</u>	<u>(4,574)</u>	<u>90,698</u>
Fund Balance/Net Position December 31	<u><u>\$101,388</u></u>	<u><u>(\$8,640)</u></u>	<u><u>\$92,748</u></u>

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, MINNESOTA

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Intergovernmental				
County	\$131,200	\$131,200	\$124,443	(\$6,757)
Local	0	0	0	0
Federal	0	0	0	0
State grant	137,996	137,996	111,064	(26,932)
Total intergovernmental	\$269,196	\$269,196	\$235,507	(\$33,689)
Charges for services	\$44,740	\$44,740	\$26,871	(\$17,869)
Miscellaneous				
Interest earnings	\$1,000	\$1,000	\$513	(\$487)
Other	5,500	5,500	4,769	(731)
Total miscellaneous	\$6,500	\$6,500	\$5,282	(\$1,218)
Total Revenues	\$320,436	\$320,436	\$267,660	(\$52,776)
Expenditures				
District operations				
Personnel services	\$160,106	\$160,106	\$159,237	(\$869)
Other services and charges	22,690	22,690	14,079	8,611
Supplies	850	850	443	407
Capital outlay	8,000	8,000	601	7,399
Total district operations	\$191,646	\$191,646	\$174,360	\$17,286
Project expenditures				
District	\$16,795	\$16,795	\$12,781	\$4,014
State	87,184	87,184	54,868	32,316
County	24,811	24,811	19,535	5,276
Total project expenditures	\$128,790	\$128,790	\$87,184	\$41,606
Total Expenditures	\$320,436	\$320,436	\$261,544	\$58,892
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$6,116	\$6,116
Fund Balance - January 1	\$95,272	\$95,272	\$95,272	\$0
Fund Balance - December 31	\$95,272	\$95,272	\$101,388	\$6,116

Notes are an integral part of the basic financial statements

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established by GAAP and used by the District are discussed below.

A. REPORTING ENTITY

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

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

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

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

The District is not considered a part of Lac Qui Parle 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.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* (of which, the District has none).

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) 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 (typically 60 days) to pay liabilities of the current period. Revenues subject to accrual are interest on investments and intergovernmental revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. The District also received an annual appropriation from the county which is recognized as revenue when received, unless it is prior to the period to which it applies. In that case, revenue is deferred until the appropriate period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict or contradict guidance of the GASB.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE

Deposits and Investments

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted position) with a maturity of three months or less when purchased to be cash equivalents. Investments as of December 31, 2014 are \$0.

Inventories

The District uses the consumption method to record inventory. Inventory is valued at lower of cost or market using the first-in, first-out method. The cost of other consumable materials and supplies on hand are material to the financial statements and the District has therefore chosen to report these items as inventory this year. As of December 31, 2014, inventory is \$3,552.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Receivables

Due from other governments includes amounts for shared projects or grants.

Unearned Revenue

Unearned revenue consists of revenues that will be recognized when the related program expenditures are recognized.

Restricted Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance accounts. As of December 31, 2014, restricted assets were \$50,961.

Capital Assets

Capital assets are defined by the District as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets, and intangible assets are reported in the application governmental column of the government-wide financial statements.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

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

Land	Not Depreciated
Buildings	10-50 Years
Improvements	15-50 Years
Machinery and Equipment	3-20 Years

Deferred Outflows/Inflows of Resources

The Lac qui Parle Soil and Water Conservation District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. In addition to assets, the financial statements 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The District currently does not have any items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Long term obligations as of December 31, 2014 consist of compensated absences. The general fund is used to liquidate these obligations.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Vacation and Sick Leave

Under the district's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 17 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave is 240 hours and there is no limit on sick leave hours. When an employee accumulates over 800 hours of sick leave, at the end of the year they are compensated at current salary for one-fourth of those hours over 800. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to one-fourth hours of accrued sick leave. All employees who retire or terminate their employment in good standing and who have been employed for one year shall be entitled to pay for all unused vacation and 25% of all unused sick leave at the rate of wage at time of separation. Severance pay shall be paid in a manner mutually agreeable to the employee and the employment. Severance pay will not be paid to the surviving spouse, dependents or estate upon death of employee. Payment may be withheld if the employee is in any way indebted to the District or in possession of District equipment or property.

Compensated Absences Payable

Changes in compensated absences payable for the year ended December 31, 2014 are:

Balance January 1, 2014	\$9,637
Increases in compensated absences	11,266
Decreases in compensated absences	<u>10,657</u>
Balance December 31, 2014	<u>\$10,246</u>

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Fund Balance Classifications

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the District. To be reported as committed, amounts cannot be used for any other purpose unless the District removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- Unassigned fund balance – consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General Fund. The District's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2014, the unassigned fund balance of the General Fund was 15% of the subsequent year's budgeted expenditures.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Net Position Classifications

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- Restricted net position- Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted net position- Net position that does not meet the definition of “restricted” or “net investment in capital assets”.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. EXPLANATION OF ADJUSTMENTS COLUMN IN STATEMENTS

1. Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, and adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets.
2. 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 as of the report date.
3. 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.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by the District for the General Fund.

Encumbrances

The District does not utilize encumbrance accounting.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund did not have excess expenditures over appropriations as of December 31, 2014.

C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Minnesota Statutes §475.53, subd. 3 limits the amount of outstanding general obligation bonded debt of the municipality. The District does not have any debt at this time so complies with such laws.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District maintains a pooled cash and investment portfolio that is used by substantially all District funds using the pooled deposit and investment concept. This concept provides the District with the ability to maximize earnings on idle monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the District.

Investment income derived from the pooled funds is allocated to respective funds on the basis of applicable cash balance participation by each fund.

Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be insured, protected by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental 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 also 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. The District does not have any deposit policies that would further limit deposit choices.

According to Minnesota Statutes, the aggregate of an entity's time/savings accounts, i.e., savings accounts, NOW accounts, and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of an entity's demand accounts, i.e., non-interest and interest-bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the entity's time/savings deposits. This separate \$250,000 coverage for non-interest bearing accounts only applies if the depository is in the same state as the entity.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, cash equivalents, and certificates of deposit, had a bank balance of \$190,791 at December 31, 2014, that was fully insured by depository insurance or secured with collateral held by the District's agent in its name. The carrying amount of these deposits at December 31, 2014 was \$183,179.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy

The District has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to deposit and investment of operating funds which are managed within the District's pooled cash and investment portfolio. This policy sets for the District's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide to proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the District's investment program as set forth by the investment policy is preservation of capital and protection of investment principal. Investment decisions are made under the assumption that except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

Separate investment policies or agreements may exist to address proceeds from certain bond issues or debt service funds in accordance with arbitrage rebate requirements.

The District is authorized by Minnesota Statutes to invest idle funds as follows:

- a.) Direct obligations or obligations guaranteed by the United States or its agencies.
- b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c.) General obligations of the State of Minnesota or its municipalities.
- d.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- e.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- f.) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- g.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- h.) Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

The District does not have any investment policies that would further limit investment choices.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the District's investment policy the District is required to mitigate its exposure to interest rate risk as follows:

- Purchasing a combination of shorter and longer term investments.
- Timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.
- Monitoring the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.
- Unless matched to a specific cash flow requirement, the District will not directly invest in securities maturing more than five (5) years from the date of purchase.
- The average weighted maturity of the portfolio should not exceed three (3) years.
- Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with expected use of funds.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the District limits their investment options to those authorized by the State of Minnesota as described above.

Concentrations of Credit Risk

The risk of loss attributed to the magnitude of the District's investments in a single issuer. The District places no limit on the amount that may be invested in any one issuer. As of December 31, 2014 the District had no investments.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2014, all certificates of deposit were insured or registered or the securities were held by the District or its agent in the District's name.

The following table represents the District's cash balances as of December 31, 2014:

<u>Cash Type</u>	<u>Average Maturities</u>	<u>% of Total</u>	<u>Fair Value</u>
Checking Account	N/A	1%	1,197
Savings Account	N/A	69%	126,982
Certificates of Deposit	N/A	30%	<u>55,000</u>
Total Cash		100%	<u>183,179</u>

Cash and deposits are presented in the December 31, 2014 Statement of Net Position as follows:

Cash & Cash Equivalents	<u>\$183,179</u>
Total	<u>\$183,179</u>

B. ACCOUNTS RECEIVABLE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Unearned Revenue

Unearned revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources (BWSR). Revenues will be recognized when the related program expenditures are recognized. Unearned revenue for the year ended December 31, 2014 consists of:

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

B. ACCOUNTS RECEIVABLE (Continued)

Balance of BWSR 2015 Conservation Delivery Grant:	\$ 8,686
Balance of BWSR 2015 Easement Delivery Grant:	7,273
Balance of unencumbered BWSR Cost-Share Grants: Fiscal Year 2015	\$ 20,521
Fiscal Year 2014	\$ 19,385

Balance of encumbered BWSR Cost-Share Grant:

<u>FY</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>T&A Encumbered</u>	<u>Total CS</u>
2013	CS 2013-17	\$ 628	\$ 157	\$ 785
2013	CS 2013-20	3,375	844	4,219
2013	CS 2013-22	640	160	800
2013	CS 2013-23	<u>3,621</u>	<u>1,207</u>	<u>4,828</u>
Total Encumbered Funds		<u>\$ 8,264</u>	<u>\$ 2,368</u>	<u>\$ 10,632</u>

Balance of 2015 County WCA Funds:	\$ 4,389
Balance of 2014 County WCA Funds:	1,481
Balance of 2015 County Water Plan Funds:	15,453
Balance of 2014 County Water Plan Funds:	<u>5,276</u>
TOTAL OF ALL UNEARNED REVENUE:	<u>\$ 93,096</u>

Breakdown of County Appropriation from Lac qui Parle County:

ANNUAL ALLOCATION	\$ 102,000
WATER PLAN MONEY	19,535
WETLAND MONEY	<u>2,908</u>
TOTAL	<u>\$ 124,443</u>

It should be noted that the Lac qui Parle SWCD received the budget sums as follows:

- **Annual allocation** of \$102,000 was received and spent in 2014.
- **Water Plan Money** of \$19,535 (includes Levy money). The figure above reflects money received, carry-over from 2013 (\$5,013), and spent in 2014, resulting in a balance defined as received.
- **Wetland Money** of \$4,389 was received with \$2,908 spent in 2014. The remainder will be carried over to 2015.

Revenues are to be recognized when the related expenditures are recorded. This may result in the appearance of slightly less revenue than actually received, or more revenue than actually received. This is due in part to overlapping fund years and expenses that may be disbursed in more than one calendar year.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2014 is as follows:

	<u>Balance</u> <u>1-1-14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-14</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,000	0	0	\$1,000
Total Capital Assets Not Being Depreciated	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
Capital Assets Being Depreciated:				
Buildings	10,179	0	0	10,179
Machinery and Equipment	75,135	0	0	75,135
Total Capital Assets Being Depreciated	<u>85,314</u>	<u>0</u>	<u>0</u>	<u>85,314</u>
Less Accumulated Depreciation for:				
Buildings	10,179	0	0	10,179
Machinery and Equipment	71,072	3,457	0	74,529
Total Accumulated Depreciation	<u>81,251</u>	<u>3,457</u>	<u>0</u>	<u>84,708</u>
Total Capital Assets Being Depreciated	<u>4,063</u>	<u>(3,457)</u>	<u>0</u>	<u>606</u>
	<u>\$5,063</u>	<u>(3,457)</u>	<u>0</u>	<u>\$1,606</u>

D. FUND BALANCE CLASSIFICATION

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>
Non-spendable:	
Inventories	\$3,552
Committed:	
Operating	42,835
Unassigned	55,000
Total Fund Balances	<u>\$101,387</u>

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. OTHER INFORMATION

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District participates in the Minnesota Counties Intergovernmental Trust to provide its general liability and property coverage. The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota counties.

All participants of the Minnesota Counties Intergovernmental Trust are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to participating counties if a deficiency occurs. The Minnesota Counties Intergovernmental Trust is self-sustaining through member premiums and re-insures through commercial companies for excess claims. The District is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

As of December 31, 2014, the District did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The District has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning authority, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as the result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The District is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the District, the District feels that the settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. OTHER INFORMATION (Continued)

C. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

The District contributes to cost-sharing multiple-employer defined benefit pension plans 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 Statutes*, 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, MN 55103-2088. You can reach them at 651-296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014.

The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$7,877, \$7,773 and \$7,824, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

D. FEDERAL AIDS – SINGLE AUDIT ACT

The District expended less than \$500,000 of federal financial assistance and is exempt from the audit requirements of the Single Audit Act and all other federal audit requirements.

E. LEASE AGREEMENTS

The District leases office space on a yearly basis. Under the current agreement, total costs for 2014 were \$16,690.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. OTHER INFORMATION (Continued)

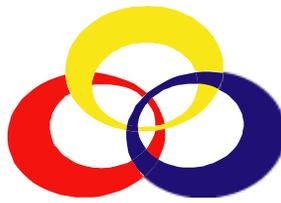
F. EFFECTS OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* – This statement will require the District to change the accounting for the pension costs related to the District’s participation in the Public Employees Retirement Association of Minnesota (PERA). In addition, the District will also be recognizing a net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the District’s proportionate share of the collective amounts in PERA.

- Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68* – This statement is to address an issues regarding application of the transition provisions of Statement No. 68.

When they become effective, application of these standards may restate portions of these financial statements.



Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Governing Board
Lac Qui Parle Soil and Water Conservation District
Madison, MN 56256

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of the Lac Qui Parle Soil and Water Conservation District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Lac Qui Parle Soil and Water Conservation District's basic financial statements and have issued our report thereon dated June 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lac Qui Parle Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of the Lac Qui Parle Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lac Qui Parle Soil and Water Conservation District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lac Qui Parle Soil and Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions. Our audit considered all of the listed categories.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kinner & Company Ltd
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Tracy, Minnesota

June 5, 2015