

2013
Financial Report
Of the
Lac qui Parle
Soil & Water
Conservation District



122 8th Avenue South, Suite 1
Madison, MN 56256

PERIOD COVERED
January 1, 2013 to December 31, 2013

**2013 Financial Report of the Lac qui Parle Soil and Water Conservation District
Period Covered: January 1, 2013 to December 31, 2013**

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The Lac qui Parle Soil and Water Conservation District is an EEO Employer/Provider

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. Since this information is designed to focus on the 2013 activities, resulting changes, and currently known facts, it should be read in conjunction with the District's Financial Statements.

FINANCIAL HIGHLIGHTS

This was the fourth year of implementation of some major changes that we initiated in 2010. In that year we added new subaccounts within the revenue and expenditure accounts to enable easier visibility when viewing transactions associated with carry-over funds (residuum) and current-year funds. With the inclusion of the new codes, the Lac qui Parle SWCD had the ability to budget and view 2013 transactions that used current year or carry-over funds. We have found the changes to be relatively helpful. We are also utilizing the feature of categorizing the different programs into classes. That practice has been extremely helpful in balancing the various programs and matching totals with eLINK and other reporting and tracking systems.

USING THIS ANNUAL REPORT

This annual report consists of two basic 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 most significant funds.
 - 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.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Lac qui Parle Soil and Water Conservation District'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. 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 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 Lac qui Parle Soil and Water Conservation District'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 those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT AS A WHOLE

The Lac qui Parle Soil and Water Conservation District's combined assets were lower than last year, decreasing from \$96,438 to \$90,698, a negative difference of \$5,740 or 5%. Looking at the net position and net expenses of governmental and business-type activities separately, two different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and Other Assets	185,126	203,308
Capital Assets Net of Depreciation	<u>5,063</u>	<u>8,922</u>
Total Assets	190,189	212,230
Liabilities due within a year		
Liabilities due after a year	<u>99,491</u>	<u>115,792</u>
Total Liabilities	99,491	115,792
Net Assets		
Invested in Capital, net of Debt	5,063	8,922
Restricted	44,845	44,952
Unrestricted	<u>40,790</u>	<u>42,564</u>
Total Net Assets	90,698	96,438

The total assets for the SWCD's governmental activities changed by \$5,740, which reflects a 5% decrease (\$96,438 compared to \$90,698). Restricted net assets were \$44,845 at the end of 2013. Unrestricted net assets, which may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, were \$40,790 at the end of 2013.

**TABLE 2
Changes in Net Position**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues:		
Charges for Service	21,618	28,222
Federal Grants		
State Grants and Entitlements	97,740	61,738
County Grants and Entitlements	122,946	117,276
Other General Revenues	<u>8,479</u>	<u>8,424</u>
TOTAL Revenues	250,783	215,660
Expenses		
Program Expenses:		
General Government		
Conservation	<u>250,890</u>	<u>236,787</u>
TOTAL Expenses	250,890	236,787
Change in Net Position	(107)	(21,127)

SWCD's total revenues increased by \$35,123, or a little over 16%. The total cost of all programs and services increased by \$14,103, or 6%. Our 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 eight cost-share projects in 2013. The cost-share years included 2012 and 2013. Cost Share Funds, Conservation Delivery Grants, and Easement Delivery Grants, that are received but not expended are considered carry-over. Here is an example of carry-over funds, and how they work: In 2013, the District paid out a total of \$3,716.25 using 2012 cost-share funds. Because that total amount was disbursed in 2013, we were able to include the same amount as revenue in 2013.
 - In reality, the District received the following grant money for 2013, meaning that these funds were directly issued to the District by the State of Minnesota Board of Water and Soil Resources:

	<u>2013</u>	<u>2012</u>
Easement Services Base Grant:	\$ 9,491	\$ 9,581
Conservation Delivery Grant	\$18,750	\$ 18,750
State Cost Share Base Grant	<u>\$26,677</u>	<u>\$ 26,677</u>
TOTAL BWSR Revenue:	\$54,921	\$ 55,008

The difference in State Funding reflects a decrease of \$87.00.

- County Grants and Entitlements:
 - The Lac qui Parle County contribution remained the same at \$ 99,087. The District greatly appreciates the continuous support demonstrated by Lac qui Parle County.
 - The SWCD administers the Lac qui Parle County Water Plan. The funds remained the same as 2012 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 2012 to 2013 decreased by \$6,604, or roughly 23%. The main reason for the decrease is due to a reduction in tree sales and planting, as well as a reduction in fabric purchases and installation.
- Other General Revenue:
 - Changes in these accounts reflect very little change from 2012 at \$8,423 and 2013 at \$8,479 an increase of \$56.

Expenditures:

- Conservation:
 - The District saw a 6% increase in Conservation Expenses. The increase was due in part to paying out more for State Project Expenses (The District paid out a total of \$29,064 for Clean Water Assistance in 2013 as opposed to \$1,341 in 2012 and \$13,676 in 2013 for the Accelerated Implementation Grant as opposed to \$6,982 in 2012). There were less expenses relating to District projects such as tree plantings.

Governmental Activities

Revenues for the District Governmental Activities increased by 16 percent or \$35,123 (from \$215,660 to \$250,783) while total expenses increased by 6 percent or \$14,103 (from \$236,787 to \$250,890). See previous section Changes in Net Position, for detailed information.

Table 3
Governmental Activities

	<u>Total Cost</u> <u>Of Services</u>	
	<u>2013</u>	<u>2012</u>
Conservation	\$250,890	\$236,787
Totals	<u>\$250,890</u>	<u>\$236,787</u>

The cost of all governmental activities relating to project expenses this year was \$86,213 compared to \$52,563 last year. There are several reasons that the expenses were \$33,650 more in 2013 than 2012. In 2013 the District paid out a substantial amount on the Clean Water Assistance Grant projects and also the Accelerated Implementation grant compared to very little in 2012. Water Plan expenses were also higher due to the hiring of a consultant to write a new Water Plan and additional well-sealings were completed.

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 \$90,698 which is below last year's total of \$96,438. Included in this year's total change in fund balance however, is a deficit of \$107 in the District's General Fund. Return to the section See **THE LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT AS A WHOLE** to review a detailed synopsis of the 2013 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. We are continuing to use what we are calling 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 we have a more concise breakdown of revenues and expenditures, and are able to differentiate between current and prior year funds. At the same time, we may pull a certain program, using the class feature in our accounting system, and show a running program balance. With the inclusion of the codes, our District also has the ability to view 2013 transactions that used current year or prior year funds within the same report. We felt this was a necessary change to our coding system and feel that it made a significant difference in the comprehension and interpretation of our monthly reports. From the bookkeeper's point of view, it has been a valuable tool. The District knows however, that should this practice not meet the standards of the experts and those in authority that reverting to the previous system may be required.

CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2013, 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.)

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

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
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)	\$ 5,063	\$ 8,922

This year the SWCD did not purchase or delete any fixed assets from its inventory.

The SWCD's fiscal year 2013 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, two new desktop computers were purchased in order to function with the upgraded system. The computers purchased were less than the \$1000 threshold, so were not added to the Capital Asset schedule. The District would also like to replace the District Van in 2013, but due to financial constraints that upgrade may not be feasible and it was not included as a budget item for 2013.

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 VI. COMPENSATED ABSENCES PAYABLE to the financial statements.

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 2014 budget and fees that will be charged for the business-type activities. The SWCD doesn't anticipate any sizeable increase/decrease in either their tree sales or fabric sales but did slightly increase the prices on the trees due to the increase cost of the trees. The SWCD will continue to fund contracts with the State cost-share program funding. 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.

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, 2013

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and investments	\$176,506		\$176,506
Accounts receivable	201		201
Due from other governments	6,298		6,298
Prepaid items	2,121		2,121
Capital Assets:			
Equipment (net of accumulated depreciation)		5,063	5,063
Total Assets	\$185,126	\$5,063	\$190,189
<u>Liabilities</u>			
Current liabilities:			
Accounts payable			
Salaries payable			
Unearned revenue	89,854		89,854
Long-term liabilities:			
Due within one year			
Due after one year		9,637	9,637
Total Liabilities	\$89,854	\$9,637	\$99,491
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)		\$0	\$0
Unrestricted			
Committed or Assigned	95,272	(95,272)	0
Unassigned	0	0	0
Total Fund Balance	\$95,272	(\$95,272)	\$0
Net Assets			
Invested in capital assets		\$5,063	\$5,063
Unassigned		85,635	85,635
Total Net Position		\$90,698	\$90,698

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, 2013

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$220,686	\$0	\$220,686
Charges for services	21,618	0	21,618
Investment earnings	621	0	621
Miscellaneous	7,858		7,858
Total Revenues	<u>\$250,783</u>	<u>\$0</u>	<u>\$250,783</u>
Expenditures/Expenses			
Conservation			
Current	\$249,329	\$7,194	\$256,523
Capital outlay	1,561	(1,561)	0
Total Expenditures/Expenses	<u>\$250,890</u>	<u>\$5,633</u>	<u>\$256,523</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	(\$107)	(\$5,633)	(\$5,740)
Fund Balance/Net Position January 1	95,379	1,059	96,438
Fund Balance/Net Position December 31	<u>\$95,272</u>	<u>(\$4,574)</u>	<u>\$90,698</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$126,982	\$126,982	\$122,946	(\$4,036)
Local		0	0	0
Federal	0	0	0	0
State grant	145,868	145,868	97,740	(48,128)
Total intergovernmental	\$272,850	\$272,850	\$220,686	(\$52,164)
Charges for services	\$45,612	\$45,612	\$21,618	(\$23,994)
Miscellaneous				
Interest earnings	\$2,000	\$2,000	\$621	(\$1,379)
Other	8,000	8,000	7,858	(142)
Total miscellaneous	\$10,000	\$10,000	\$8,479	(\$1,521)
Total Revenues	\$328,462	\$328,462	\$250,783	(\$77,679)
Expenditures				
District operations				
Personnel services	\$159,450	\$159,450	\$161,452	(\$2,002)
Other services and charges	21,590	21,590	1,372	20,218
Supplies	850	850	292	558
Capital outlay	8,000	8,000	1,561	6,439
Total district operations	\$189,890	\$189,890	\$164,677	\$25,213
Project expenditures				
District	\$16,000	\$16,000	\$11,446	\$4,554
State	99,066	99,066	55,296	43,770
County	23,506	23,506	19,470	4,036
Total project expenditures	\$138,572	\$138,572	\$86,213	\$52,359
Total Expenditures	\$328,462	\$328,462	\$250,890	\$77,572
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	(\$107)	(\$107)
Fund Balance - January 1	\$0	\$0	\$0	\$0
Fund Balance - December 31	\$0	\$0	(\$107)	(\$107)

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
BREAKDOWN OF COUNTY REVENUE
2013**

COUNTY REVENUES (breakdown)

ANNUAL ALLOCATION	\$ 99,087.00
WATER PLAN MONEY	\$ 19,470.09
WETLAND MONEY	\$ 4,389.00
FEEDLOT MONEY	\$
ABANDONED WELL	\$
DNR SHORELAND	\$
OTHER (specify)	\$
 TOTAL	 <u>\$ 122,946.09</u>

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

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

- **Annual allocation** of \$99,087 was received and spent in 2013.
- **Water Plan Money** of \$19,470.09 (includes Levy money). The figure above reflects money received in 2013, carry-over from 2012 (\$5013.41), and spent in 2013, resulting in a balance defined as received.
- **Wetland Money** of \$4,389.00 was received and spent in 2013.

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
UNEARNED REVENUE BREAKDOWN
2013**

Balance of BWSR Conservation Delivery Grant:	\$ 15,893.36
Balance of <u>unencumbered</u> BWSR Cost-Share Grants: Current fiscal year (2014)	\$ 20,521.00
Previous fiscal year (2013)	\$ 22,225.75
(2012)	\$ 1,594.50

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

<u>FY</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>T&A Encumbered</u>	<u>Total CS</u>
2012	CS 2012-04	\$ 768.00	\$ 192.00	\$ 960.00
2012	CS 2012-08	\$ 1,953.00	\$ 488.25	\$ 2,441.25
2012	CS 2012-09	\$ 3,754.00	\$ 938.50	\$ 4,692.50
Column Totals		\$ 6,475.00	\$ 1,618.75	\$ 8,093.75

Total of all Cost-Share Encumbrances	\$ 8,093.75
Balance of County WCA Funds:	\$ 0.00
Balance of County Water Plan Funds:	\$ 5,013.41
Balance of Level 3 Feedlot	\$ 7,147.18
Balance of Retrofit Wellpit (\$3,638.16 Due from Other Gov't)	\$ -0-
Balance of <u>other</u> funds being deferred (list if any):	
BWSR Easement Delivery Grant	\$ 9,365.00
Subtotal of other funds:	\$ 9,365.00
TOTAL OF ALL UNEARNED REVENUE:	\$ 89,853.95

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Lac qui Parle Soil and Water Conservation District conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

A. Financial Reporting Entity

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

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

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

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

The District is not considered a part of 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.

B. Basis of Presentation - Fund Accounting

The accounts of the Lac qui Parle Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, 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 soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

The District's financial statement (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

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

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

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

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

D. Budget Information

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

E. Assets, Liabilities, and Equity Accounts

1. Assets

- Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.
- Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

2. Liabilities

- Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

3. Equity

- Investment in general fixed assets represents the District's equity in general fixed assets.
- Non-spendable fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.
- Unrestrictive, committed or assigned account indicates the portion of fund equity that the District has set aside for planned future expenditures.
- Unrestricted, unassigned fund balance indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Assets 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 report in Note IV.

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note I-G below.

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. This number is supported by figures in Note IV and in Note I-G below.

G. 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 each year they may be compensated at current salary for one-fourth of those hours over 800. 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 one-fourth 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 employer over a period not to exceed five years from retirement or termination of employment. Severance pay may be unpaid 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

N/A

B. Excess of Expenditures Over Budget

N/A

C. Uncollateralized deposits

During 2013, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2013, the District's deposits totaled \$ 176,505.75, of which \$ 121,505.75 were cash deposits and \$ 55,000 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2013	\$ 8,922
Additions	\$ -0-
Deletions	\$ -0-
2013 depreciation	\$ 3,859
Balance December 31, 2013	\$ 5,063

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$81,251 as of December 31, 2013.

The District uses a threshold of \$1,000 for capitalizing assets purchased. Those physical assets under \$999.99 are expenses directly and not capitalized.

V. UNEARNED REVENUE

Unearned Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Lac qui Parle County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Unearned Revenue as itemized on "Unearned Revenue Breakdown" is \$ 89,853.95.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2013 are:

Balance January 1, 2013	\$ 7,862.82
Net Changes in Compensated Absences	\$ 1,774.48
Balance December 31, 2013	\$ 9,637.30

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. 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; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through MCIT - Minnesota Counties Intergovernmental Trust. The District is covered for errors and omissions through MCIT - Minnesota Counties Intergovernmental Trust.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues 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.

B. 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2013. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011 and have remained the same. The District's employer share of contributions to PERA for the years ending December 31, 2013, 2012, and 2011 were \$7,772.81, \$7,824.31, and \$7,820.59 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2013 were \$ 16,689.72.