

2015
Financial Report
Of the
Lac qui Parle
Soil & Water
Conservation District



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

PERIOD COVERED
January 1, 2015 to December 31, 2015

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
BOARD OF SUPERVISORS
DECEMBER 31, 2015**

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**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
BOARD OF SUPERVISORS
DECEMBER 31, 2015**

<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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015. Since this information is designed to focus on the 2015 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, 2015**

The Statement of Net Position and the Statement of Activities

Our 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 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. 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, 2015**

The SWCD as a Whole – Governmental Activities

The Lac qui Parle Soil and Water Conservation District's combined assets increased by \$72,247. The total liabilities increased as well by \$151,730. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the SWCD's governmental and business-type activities.

**Table 1
Statement of Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$249,162	\$194,484
Capital Assets Net of Depreciation	\$ 1,606	\$ 1,606
Defined Benefit Pension Plan	<u>\$ 13,569</u>	<u> </u>
Total Assets	<u>\$264,337</u>	<u>\$190,090</u>
Long-Term Liabilities Outstanding	\$108,832	\$10,246
Current Liabilities	\$134,230	\$93,096
Defined Benefit Pension Plan	<u>\$ 12,010</u>	<u> </u>
Total Liabilities	<u>\$255,072</u>	<u>\$103,342</u>
Net Position		
Investment in Capital Assets	\$ 1,606	\$ 1,606
Unrestricted	<u>\$ 7,659</u>	<u>\$40,181</u>
Total Net Position	<u>\$ 9,265</u>	<u>\$92,748</u>

The net position of the SWCD's governmental activities decreased by \$83,483 due in part to the change in accounting principles. The district adopted the GASB Statement No. 68, pertaining to PERA pension plan reporting. 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 \$7,659 at the end of 2015.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

**TABLE 2
Changes in Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Service	37,228	26,871
Federal Grants	-0-	-0-
State Grants and Entitlements	83,376	111,064
County Grants and Entitlements	152,193	124,443
Other General Revenues	<u>14,710</u>	<u>5,282</u>
TOTAL Revenues	<u>287,507</u>	<u>267,660</u>
Expenses		
Program Expenses:		
Conservation	<u>276,171</u>	<u>265,610</u>
TOTAL Expenses	<u>276,171</u>	<u>265,610</u>
Change in Net Position	<u>\$ 11,335</u>	<u>\$ 2,050</u>

The SWCD's total revenues increased by \$19,847 or 9.3%. The total cost of all programs and services increased by \$10,561 or roughly 4%. Which were due in part to the Aquatic Invasive Species (AIS) program being added this year. 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 seven cost-share projects in 2015. The cost-share years included 2013, 2014, and 2015. 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, 2015**

- In reality, the District received the following grant money for 2015, meaning that these funds were directly issued to the District by the State of Minnesota Board of Water and Soil Resources:

	<u>2015</u>	<u>2014</u>
Easement Services Base Grant:	\$ 8,953	\$ 8,953
Conservation Delivery Grant	\$18,750	\$ 18,750
State Cost Share Base Grant	<u>\$20,521</u>	<u>\$ 20,521</u>
TOTAL BWSR Revenue:	<u>\$48,224</u>	<u>\$ 48,224</u>

The State Funding remained the same.

- County Grants and Entitlements:

- The Lac qui Parle County contribution increased to \$103,000.
- The SWCD administers the Lac qui Parle County Water Plan. The funds remained the same as 2014 at \$15,453. The revenue total includes a minimal amount of carry-over funds, which are not recognized until spent.
- The county turned the Aquatic Invasive Species program over to the district this year for implementation. \$41,910 was received with \$20,083 spent and the remainder \$21,828 will be carried over.

- Charges for Services:

- Charges for Services, from 2014 to 2015 increased by \$10,357, or roughly 38%. The main reason for the increase is due to additional tree sales and also an increased use of the grass drill.

- Other General Revenue:

- Changes in these accounts reflect a change from 2014 at \$5,282 and 2015 at \$14,710 an increase of \$9,428. The main reason for the increase is due to additional refunds and reimbursements.

Expenditures:

- Conservation:

- The District saw a 4.8% 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 \$33,129 for cost share in 2015 as opposed to \$22,418 in 2014.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Governmental Activities

Revenues for the District Governmental Activities increased by 7.4 percent or \$19,487 (from \$267,660 to \$287,507) while total expenses increased by 4.8 percent or \$12,419 (from \$261,544 to \$273,963). See previous section, Changes in Net Position, for detailed information.

**Table 3
Governmental Activities**

	Total Cost of Services	
	<u>2015</u>	<u>2014</u>
Conservation	\$273,963	\$261,544
Totals	<u>\$273,963</u>	<u>\$261,544</u>

The cost of all governmental activities relating to project expenses this year was \$113,290 compared to \$87,184 last year. There was an increase of \$26,106 in expenses in 2015. This increase was due to the addition of the Aquatic Invasive Species program. 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 \$114,932 which is \$13,544 above last year's total of \$101,388. See THE LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT AS A WHOLE to review a detailed synopsis of the 2015 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 \$70,383 and \$52,776 lower than budget for 2015 and 2014. Expenditures were \$87,542 and \$58,892 lower than budget in 2015 and 2014. The variances are due to not as much being paid out for projects that were expected. 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 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 2015 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, 2015**

CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2015, the District had \$73,525 invested in a broad range of capital assets, including a lot and cooling unit in the tree storage building, vehicle, fabric mulch machine, no-till drill, and laptop computers. (See Table 4 below.) This amount decreased from the previous year as the district sold the 1995 van so there was a decrease in total capital assets from last year.

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

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,000	\$ 1,000
Buildings and improvements	10,179	10,179
Equipment, Vehicles	<u>62,346</u>	<u>75,135</u>
Total Assets	<u>\$73,525</u>	<u>\$ 86,314</u>
(Net of Depreciation)	\$ 1,606	\$ 1,606

The SWCD's fiscal year 2015 capital budget is set at \$8,000, taking into consideration that there may be a need to pay for replacement computers. Five chairs and a color photo scanner were purchased but were 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, 2015**

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, 2015

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and cash equivalents	\$247,324	\$ -	\$247,324
Prepaid items	1,635	-	1,635
Interest Receivable	203	-	203
Capital Assets:			
Equipment (net of accumulated depreciation)	<u> </u>	<u>1,606</u>	<u>1,606</u>
Total Assets	<u>249,162</u>	<u>1,606</u>	<u>250,768</u>
Deferred Outflows of Resources			
Defined Benefit Pension Plan	<u>-</u>	<u>13,569</u>	<u>13,569</u>
Combined Assets and Deferred Outflows of Resources	<u>\$249,162</u>	<u>\$15,175</u>	<u>\$264,337</u>
Liabilities			
Current Liabilities:			
Unearned Revenue	\$134,230	\$ -	\$134,230
Accrued Wages		-	-
Deposit on Sales		-	-
Long-term Liabilities:			
Net Pension Liability	-	98,468	98,468
Due after one year	<u>-</u>	<u>10,364</u>	<u>10,364</u>
Total Liabilities	134,230	108,832	243,062
Deferred Inflows of Resources			
Defined Benefit Pension Plan	<u>-</u>	<u>12,010</u>	<u>12,010</u>
Combined Liabilities and Deferred Inflows of Resources	<u>\$134,230</u>	<u>\$120,842</u>	<u>\$255,072</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepays	\$1,635	\$(1,635)	\$ -
Unassigned	<u>113,297</u>	<u>(113,297)</u>	<u>-</u>
Total Fund Balance	<u>\$114,932</u>	<u>\$(114,932)</u>	<u>\$ -</u>
Net Position			
Investments in Capital Assets		\$1,606	\$1,606
Unrestricted		<u>7,659</u>	<u>7,659</u>
Total Net Position		<u>\$9,265</u>	<u>\$9,265</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, 2015

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$235,569	\$ -	\$235,569
Charges for services	37,228	-	37,228
Investment earnings	510	-	510
Miscellaneous	14,200	-	14,200
Total Revenues	<u>\$287,507</u>	<u>\$ -</u>	<u>\$287,507</u>
Expenditures/Expenses			
Conservation			
Current	\$273,584	\$2,587	\$276,171
Capital outlay	378	(378)	-
Total Expenditures/Expenses	<u>\$273,963</u>	<u>\$2,209</u>	<u>\$276,171</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$13,544</u>	<u>\$(2,209)</u>	<u>\$11,335</u>
Fund Balance/Net Position January 1	\$101,388	\$(8,640)	\$92,748
Change in Accounting Principle	-	(94,818)	(94,818)
Fund Balance/Net Position December 31	<u>\$114,932</u>	<u>\$(105,667)</u>	<u>\$9,265</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, 2015

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Over (under)</u>
Revenues			
Intergovernmental			
County	\$173,639	\$152,193	(\$21,446)
Local	-	-	-
Federal	-	-	-
State grant	141,721	83,376	(58,345)
Total Intergovernmental	<u>\$315,360</u>	<u>\$235,569</u>	<u>\$(79,791)</u>
Charges for services	<u>\$36,230</u>	<u>\$37,228</u>	<u>\$998</u>
Miscellaneous			
Interest earnings	\$800	\$510	\$(290)
Other	5,500	14,200	8,700
Total Miscellaneous	<u>\$6,300</u>	<u>\$14,710</u>	<u>\$8,410</u>
Total Revenues	<u>\$357,890</u>	<u>\$287,507</u>	<u>\$(70,383)</u>
Expenditures			
District Operations			
Personnel services	\$158,947	\$156,041	\$2,906
Other services and charges	26,301	3,882	22,419
Supplies	850	371	479
Capital outlay	8,000	378	7,622
Total District Operations	<u>\$194,098</u>	<u>\$160,672</u>	<u>\$33,426</u>
Project Expenditures			
District	\$9,750	\$20,768	\$(11,018)
State	97,277	47,685	49,592
County	60,380	44,838	15,542
Total Project Expenditures	<u>\$167,407</u>	<u>\$113,290</u>	<u>\$54,117</u>
Total Expenditures	<u>\$361,505</u>	<u>\$273,963</u>	<u>\$87,542</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$(3,615)</u>	<u>\$13,544</u>	<u>\$17,159</u>
Fund Balance - January 1	<u>\$101,388</u>	<u>\$101,388</u>	<u>-</u>
Fund Balance - December 31	<u>\$97,773</u>	<u>\$114,932</u>	<u>\$17,159</u>

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control 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 (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 THE FINANCIAL STATEMENTS
December 31, 2015

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 statements 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, a revenue is deferred until the appropriate period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as 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 THE FINANCIAL STATEMENTS
December 31, 2015

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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

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, 2015 are \$0.

Inventories

The District uses the consumption method to record inventory. Inventory is valued at a 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, 2015, inventory is \$1,635.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (continued)

Receivables

Due from other governments includes amounts for share 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.

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 THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

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, 2015 consist of compensated absences. The general fund is used to liquidate these obligations.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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 each 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, 2015 are:

Balance January 1, 2015	\$10,246
Increase in compensated absences	118
Balance December 31, 2015	<u>\$10,364</u>

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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 balance 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, 2015, the unassigned fund balance of the General Fund was 41% of the subsequent year's budgeted expenditures.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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. PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015.

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 THE FINANCIAL STATEMENTS
December 31, 2015

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 \$183,179 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, 2015 was \$247,324.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 brokers-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 THE FINANCIAL STATEMENTS
December 31, 2015

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 not limit on the amount that may be invested in any one user. As of December 31, 2015 the District had no investments.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015**

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, 2015, 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, 2015:

<u>Cash Type</u>	<u>Average Maturities</u>	<u>% of Total</u>	<u>Fair Value</u>
Checking Account	N/A	1%	3,665
Savings Account	N/A	77%	188,659
Certificates of Deposit	N/A	22%	<u>55,000</u>
Total Cash		100%	<u>247,324</u>

Cash and deposits are presented in the December 31, 2015 Statement of Net Position as follows:

Cash & Cash Equivalents	<u>\$247,324</u>
Total	<u>\$247,324</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, 2015 consists of:

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

B. ACCOUNTS RECEIVABLE (Continued)

Balance of BWSR 2016 Conservation Delivery Grant:	\$ 9,486
Balance of BWSR 2016 Easement Delivery Grant	\$ 8,592
Balance of BWSR 2016 Buffer Law Grant	\$ 28,492
Balance of BWSR 2016 MAWQCP Grant	\$ 5,758
Balance of BWSR 2015 Easement Delivery Grant:	\$ 1,345
Balance of BWSR 2016 Cost-Share Grant:	\$ 20,521
Balance of BWSR 2015 Cost-Share Grant:	\$ 17,409
Balance of 2016 County WCA Funds:	\$ 3,511
Balance of 2015 County WCA Funds:	\$ 1,515
Balance of 2016 County Water Plan Funds:	\$ 13,145
Balance of 2015 County Water Plan Funds	\$ 2,628
Balance of 2015 County Aquatic Invasive Species Funds:	<u>\$ 21,828</u>
TOTAL OF ALL UNEARNED REVENUE:	<u>\$ 134,230</u>

Breakdown of County Revenue:

ANNUAL ALLOCATION	\$ 103,000
WATER PLAN MONEY	24,755
WETLAND MONEY	4,355
AQUATIC INVASIVE SPECIES	<u>20,083</u>
TOTAL	<u>\$ 152,193</u>

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

- **Annual allocation** of \$103,000 was received and spent in 2015.
- **Water Plan Money** The figure above reflects money spent in 2015. Carry-over from 2014 (\$5,276); 2015 funds (\$19,798) a remainder of \$2,628 will be carried over to 2016. 2016 funds were received in October with \$2,309 spent, the remainder \$13,145 will be carried over to 2016.
- **Wetland Money** of \$4,389 was received in 2015 and \$1,481 was carried over from 2014, and spent in 2015. The remainder of \$1,515 will be carried over to 2016. 2016 funds were received in October which \$3,511 will be carried over.
- **Aquatic Invasive Species funds** of \$41,910 was received in 2015. \$20,083 was spent in 2016 with a remainder of \$21,828 being carried over to 2016.

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 THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015 is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>1-1-15</u>	<u></u>	<u></u>	<u>12-31-15</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
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	<u>75,135</u>	<u>0</u>	<u>12,789</u>	<u>63,346</u>
Total Capital Assets Being Depreciated	<u>85,314</u>	<u>0</u>	<u>0</u>	<u>73,525</u>
Less Accumulated Depreciation for:				
Buildings	10,179	0	0	10,179
Machinery and Equipment	<u>74,529</u>	<u>0</u>	<u>0</u>	<u>74,529</u>
Total Accumulated Depreciation	<u>84,708</u>	<u>0</u>	<u>0</u>	<u>71,919</u>
Total Capital Assets Being Depreciated	<u>606</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>1,606</u>	<u>0</u>	<u>0</u>	<u>1,606</u>

D. FUND BALANCE CLASSIFICATION

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>
Non-spendable - Prepaids	\$1,635
Unassigned	<u>113,297</u>
Total Fund Balance	<u>\$114,932</u>

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 reinsures 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, 2015, 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 judgement not covered by insurance would not have adverse effect on the financial condition of the District.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

C. 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.

D. LEASE AGREEMENTS

The District leases office space on a yearly basis. Under the current agreement, total costs for 2015 were \$16,690.

NOTE 5. DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The Lac qui Parle SWCD participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the Lac qui Parle SWCD are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 5. DEFINED BENEFIT PENSION PLANS (continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

B. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The Lac qui Parle SWCD was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The Lac qui Parle SWCD's contributions to the GERF for the year ended December 31, 2015, 2014 and 2013 were \$8,551, \$7,877, and \$7,773. The Lac qui Parle SWCD's contributions were equal to the required contributions as set by state statute.

C. PENSION COSTS

1. GERF Pension Costs

At December 31, 2015, the Lac qui Parle SWCD reported a liability of \$98,468 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Lac qui Parle SWCD's proportion of the net pension liability was based on the Lac qui Parle SWCD's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Lac qui Parle SWCD's proportion was 0.0019 %.

For the year ended December 31, 2015, the Lac qui Parle SWCD recognized pension expense of \$10,642 for its proportionate share of the GERF's pension expense.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 5. DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2015, the Lac qui Parle SWCD reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,964
Changes in actuarial assumptions	\$ -	\$ -
Difference between projected and actual investment earnings	\$ 9,321	\$ -
Changes in proportion	\$ -	\$ 7,046
Contributions paid to PERA subsequent to the measurement date	\$ 4,248	
Total	\$13,569	\$12,010

\$4,248 reported as deferred outflows of resources related to pensions resulting from Lac qui Parle SWCD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$(1,673)
2017	\$(1,673)
2018	\$(1,673)
2019	\$ 2,330
2020	\$ 0
Thereafter	\$ 0

D. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 5. DEFINED BENEFIT PENSION PLANS (continued)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

E. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5. DEFINED BENEFIT PENSION PLANS (continued)

F. PENSION LIABILITY SENSITIVITY

The following presents the Lac qui Parle SWCD's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Lac qui Parle SWCD's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Lac qui Parle SWCD proportionate share of the GERF net pension liability:	\$154,826	\$98,468	\$51,924

G. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015**

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15*	\$ 8,132	\$ 8,550	\$ (418)	\$ 114,006	7.50%

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

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

Fiscal Year Ending	Employer's Proportion of Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/15*	0.0019%	\$ 98,496	\$ 110,186	89.39%	78.19%

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