

# **EAST POLK COUNTY SOIL AND WATER CONSERVATION DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS 2013**

The East Polk Soil and Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2013. This analysis should be read in conjunction with the SWCD's financial statements on the following pages.

### **FINANCIAL HIGHLIGHTS**

The total net assets are \$308,046 of which \$28,322 is invested in capital assets and \$279,724 is unrestricted.

At the close of 2013, East Polk SWCD's fund balance was \$287,841. The fund balance increased \$48,994 from the previous year. The total fund balance is available to spend at the SWCD's discretion and is noted as unreserved, undesignated fund balance. An adequate fund balance is a necessity to maintain the SWCD services.

### **USING THIS ANNUAL REPORT**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and Notes to the Financial Statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 5 and 6) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements start on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

#### **The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD's net assets and changes in them. You think of the SWCD's net assets – the difference between assets and liabilities – as a way to measure the SWCD financial health, or financial position. Over time, increases or decreases in the SWCD's net assets are one indicator of whether its financial health is improving or deteriorating.

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, with the District generating some revenue from Charges for Services.

### **Reporting the SWCD General Fund**

The SWCD presents only a general fund, which is a governmental fund. Our analysis of the general fund begins on page 7. 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.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

### **Other Information**

In addition to the basic financial statements and notes, East Polk SWCD provides supplementary information regarding County Revenues and Deferred Revenue on pages 15 and 16.

### **THE EAST POLK SWCD AS A WHOLE**

The SWCD's net assets were **higher, increasing** from \$263,116 to \$308,046.

The amount invested in capital assets is \$28,322. These assets are not available for future spending. The unrestricted amount of \$279,724 may be used to meet SWCD obligations. See Statement of Net Position on page 5.

Net assets of the East Polk SWCD governmental activities increased by 15 percent (\$308,046 compared to \$263,116).

### **THE SWCD's FUNDS**

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 5) reported a combined fund balance of \$287,841, which is higher than last year's total of \$238,847. Included in this year's total change in fund balance, however, is an increase of \$48,994 in the SWCD's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 7.

## **General Fund Budgetary Highlights**

Over the course of the year, the East Polk Soil and Water Conservation District did not revise their budget.

The actual revenues were \$48,994 more than the expenditures. The District had planned to use \$42,144 out of our fund balance. The main reason for the increase is that we had to cash several savings certificates. There really isn't any significant variance in any one account. Every year since the unallotment in 2003, with the exception of 2007, we have been showing a deficit in our fund balance. The main reason for the previous deficit is that our block grant funds usually come late (most of the time in January).

Resources available for appropriation were \$48,994 more than the final budgeted amount. The Block Grant Agreement was signed in November, but as of the 31<sup>st</sup> of December we had not received it. The grant period started July 1<sup>st</sup>, 2012. Had we received the grant we wouldn't have had to cash savings certificates.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2013, the SWCD had \$28,322 invested in a broad range of capital assets, including a garage/tree storage, a vehicle, computers, and miscellaneous office equipment. This amount represents a net decrease (including additions and deductions) of \$5,496, or 8 percent, under last year.

More detailed information about the SWCD's capital assets is presented in Notes to the Financial Statements.

### **Long-Term Liabilities**

At the end of the fiscal year, the SWCD obligations totaled \$8,117. This included accrued vacation pay and sick leave payable. Our fund balance is the source we will use to pay this long-term debt. More detailed information about the SWCD's long-term liabilities is presented in VI, Notes to the Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The East Polk SWCD anticipates a similar year to 2013. Our tree sales should be about the same as they were in 2013. We don't anticipate any major purchases. We do not know yet what our Polk County allocation for 2014 will be. In 2013 East Polk SWCD had the same county appropriation of \$39,200. In our 2013 budget request to the county, we requested a 5% increase. If we get the increase, the county appropriation would be \$41,160. For the 2014 year, we are still working on the substantial grants that we received through the Clean Water Legacy funding of which some of the funding can be used for administration/technical assistance.

## **CONTACTING THE SWCD'S FINANCIAL MANAGEMENT**

This annual report is designed to provide our citizens a general overview for those interested in the SWCD's finances, and to show the SWCD's accountability for the money it receives. If you have questions about this

Report or need additional financial information, contact the East Polk SWCD at 240 Cleveland Ave. SW, McIntosh, MN 56556. The phone number is (218) 563-2777.

EAST POLK SOIL AND WATER CONSERVATION DISTRICT  
MCINTOSH, MN

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
<b><u>Assets</u></b>			
Cash and investments	\$224,231		\$224,231
Accounts receivable	405		405
Due from other governments	77,661		77,661
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		28,322	28,322
<b>Total Assets</b>	<b>\$302,297</b>	<b>\$28,322</b>	<b>\$330,619</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$10		\$10
Salaries payable			0
Unearned revenue	14,446		14,446
Long-term liabilities:			
Due within one year		0	0
Due after one year		8,117	8,117
<b>Total Liabilities</b>	<b>\$14,456</b>	<b>\$8,117</b>	<b>\$22,573</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	287,841	(287,841)	0
<b>Total Fund Balance</b>	<b>\$287,841</b>	<b>(\$287,841)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$28,322	\$28,322
Unassigned		279,724	279,724
<b>Total Net Position</b>		<b>\$308,046</b>	<b>\$308,046</b>

Notes are an integral part of the basic financial statements.

EAST POLK SOIL AND WATER CONSERVATION DISTRICT  
MCINTOSH, MN

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
<b>Revenues</b>			
Intergovernmental	\$322,099	\$0	\$322,099
Charges for services	26,693	0	26,693
Investment earnings	1,731	0	1,731
Miscellaneous	121,527	0	121,527
<b>Total Revenues</b>	<b>\$472,050</b>	<b>\$0</b>	<b>\$472,050</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$420,865	\$4,728	\$425,593
Capital outlay	2,191	(2,191)	0
<b>Total Expenditures/Expenses</b>	<b>\$423,056</b>	<b>\$2,537</b>	<b>\$425,593</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$48,994</b>	<b>(\$2,537)</b>	<b>\$46,457</b>
<b>Fund Balance/Net Position January 1</b>	<b>238,847</b>	<b>22,742</b>	<b>261,589</b>
<b>Fund Balance/Net Position December 31</b>	<b>\$287,841</b>	<b>\$20,205</b>	<b>\$308,046</b>

Notes are an integral part of the basic financial statements.

EAST POLK SOIL AND WATER CONSERVATION DISTRICT  
MCINTOSH, MN

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)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$77,821	\$77,821	\$76,955	(\$866)
Local	0	0	0	0
Federal	32,019	32,019	26,494	(5,525)
State grant	32,370	32,370	218,650	186,280
<b>Total intergovernmental</b>	<b>\$142,210</b>	<b>\$142,210</b>	<b>\$322,099</b>	<b>\$179,889</b>
<b>Charges for services</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$26,693</b>	<b>\$16,693</b>
<b>Miscellaneous</b>				
Interest earnings	\$1,000	\$1,000	\$1,731	\$731
Other	44,644	44,644	121,527	76,883
<b>Total miscellaneous</b>	<b>\$45,644</b>	<b>\$45,644</b>	<b>\$123,258</b>	<b>\$77,614</b>
<b>Total Revenues</b>	<b>\$197,854</b>	<b>\$197,854</b>	<b>\$472,050</b>	<b>\$274,196</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$145,684	\$145,684	\$138,344	\$7,340
Other services and charges	27,170	27,170	24,124	3,046
Supplies	3,000	3,000	2,004	996
Capital outlay	15,000	15,000	2,191	12,809
<b>Total district operations</b>	<b>\$190,854</b>	<b>\$190,854</b>	<b>\$166,663</b>	<b>\$24,191</b>
<b>Project expenditures</b>				
District	\$7,000	\$7,000	\$18,568	(\$11,568)
State	0	0	237,825	(237,825)
<b>Total project expenditures</b>	<b>\$7,000</b>	<b>\$7,000</b>	<b>\$256,393</b>	<b>(\$249,393)</b>
<b>Total Expenditures</b>	<b>\$197,854</b>	<b>\$197,854</b>	<b>\$423,056</b>	<b>(\$225,202)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$48,994</b>	<b>\$48,994</b>
<b>Fund Balance - January 1</b>	<b>\$238,847</b>	<b>\$238,847</b>	<b>\$238,847</b>	<b>\$238,847</b>
<b>Fund Balance - December 31</b>	<b>\$238,847</b>	<b>\$238,847</b>	<b>\$287,841</b>	<b>\$287,841</b>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE  
2013**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$39,200.00
WATER PLAN MONEY	\$11,270.50
WETLAND MONEY	\$21,641.00
FEEDLOT MONEY	\$ 3,750.00
ABANDONED WELL	\$ .00
DNR SHORELAND	\$ .00
OTHER (specify)	\$ .00
 TOTAL	 <u>\$75,861.50</u>

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule." The total does not agree because on my 2012 report, I reported \$36,661.50 as due to the District from other governments. That \$36,661.50 is what we received in January of 2013. In December of 2013 or earlier we should have received the \$37,755.00 (Block Grant) that is due to us from other governments but we have not received it yet so I reported it as due to us.

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

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# NOTES TO THE FINANCIAL STATEMENTS

## December 31, 2013

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the East Polk Soil and Water Conservation District (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 East Polk 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 Polk 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 East Polk 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 Position and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 statements (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 Nonexchange Transactions, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

#### 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.

Nonspendable 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 account 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 Position and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount 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 1-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 18 hours per month. Sick leave accrual is at the same rate as vacation. The limit on the accumulation of annual leave is 80 hours and the limit on sick leave is 600 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 200 hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 200 hours of accrued sick leave.

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 \$224,230.73, of which \$24,230.73 were cash deposits and \$200,000.00 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	\$31,627.10	Correction made in 2012 audit.
Additions	\$ 2,191.48	
2013 depreciation	\$ 5,496.20	
Balance December 31, 2013	\$28,322.38	

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$50,812.58 as of December 31, 2013.

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

### V. DEFERRED REVENUE

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

Total Unearned Revenues itemized on "Unearned Revenue Breakdown" is \$14,446.

VI. COMPENSATED ABSENCES PAYABLE

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

Balance January 1, 2013	\$7,349.00
Net Changes in Compensated Absences	\$ 768.23
Balance December 31, 2013	\$8,117.23

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. The District is covered for errors and omissions through MCIT.

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

## 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. The District's employer share of contributions to PERA for the years ending December 31, 2013, 2012, and 2011 were \$6,738.17, \$5,917.99, and \$5,472.14 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 \$1,710.