

MORRISON



**SOIL AND WATER
CONSERVATION DISTRICT**

16776 Heron Road
Little Falls, MN 56345
(320) 631-3551

www.morrisonswcd.org

FINANCIAL STATEMENTS

December 31, 2017

MISSION: TO PROVIDE LEADERSHIP AND DIRECT ASSISTANCE FOR CONSERVATION MANAGEMENT OF SOIL AND WATER.

WORD/YE REPORTS/2017 FINANCIAL STATEMENTS



MORRISON SOIL AND WATER CONSERVATION DISTRICT

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2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Morrison Soil and Water Conservation District's (SWCD) Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the 2017 Financial Statements. (Beginning on Page 8)

USING THIS ANNUAL REPORT

This annual report consists of three parts:

1. Management's Discussion and Analysis (Page 3 to Page 7)
2. The Basic Financial Statements (Page 8 to Page 10)
3. Required Supplementary Information (Page 11 to Page 19)

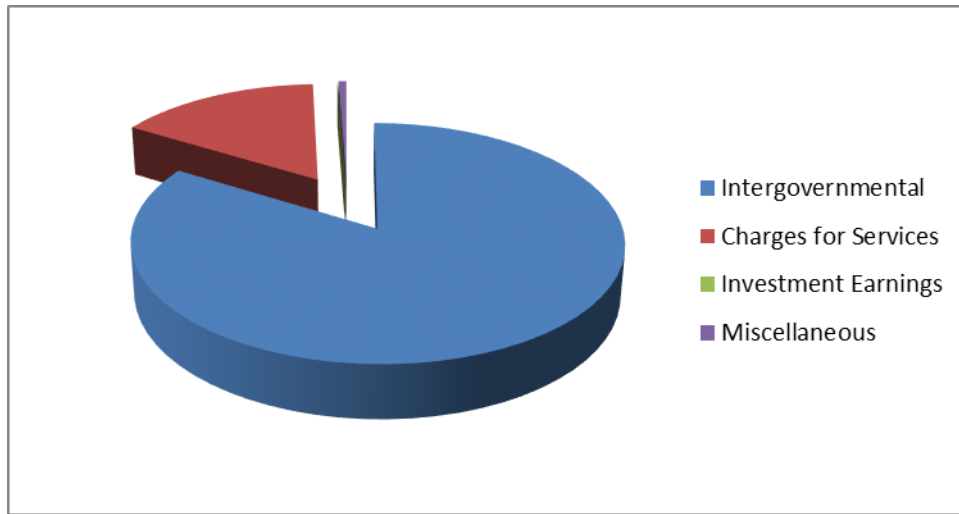
The basic financial statements include a series of financial statements. The Statement of Net Position, and the Statement of Activities (Pages 8 and 9), provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since District's are single-purpose, special-purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District 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 District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the 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 District's net position and changes in them. You can think of the District's net position — the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents Governmental Activities. All of the District’s basic services are reported here. Appropriations from the county and state finance most activities. However, for the most part, the SWCD has now had to rely on charges for basic services to cover the expenses that the county or state can no longer cover. (See Pie-Chart Below)



REPORTING THE DISTRICT’S GENERAL FUND (FUND FINANCIAL STATEMENTS & THE SWCD AS A WHOLE)

FUND FINANCIAL STATEMENTS

Our analysis of the District’s general fund is part of this report.

The fund financial statements provide detailed information about the general fund - not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District’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 District’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 District’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

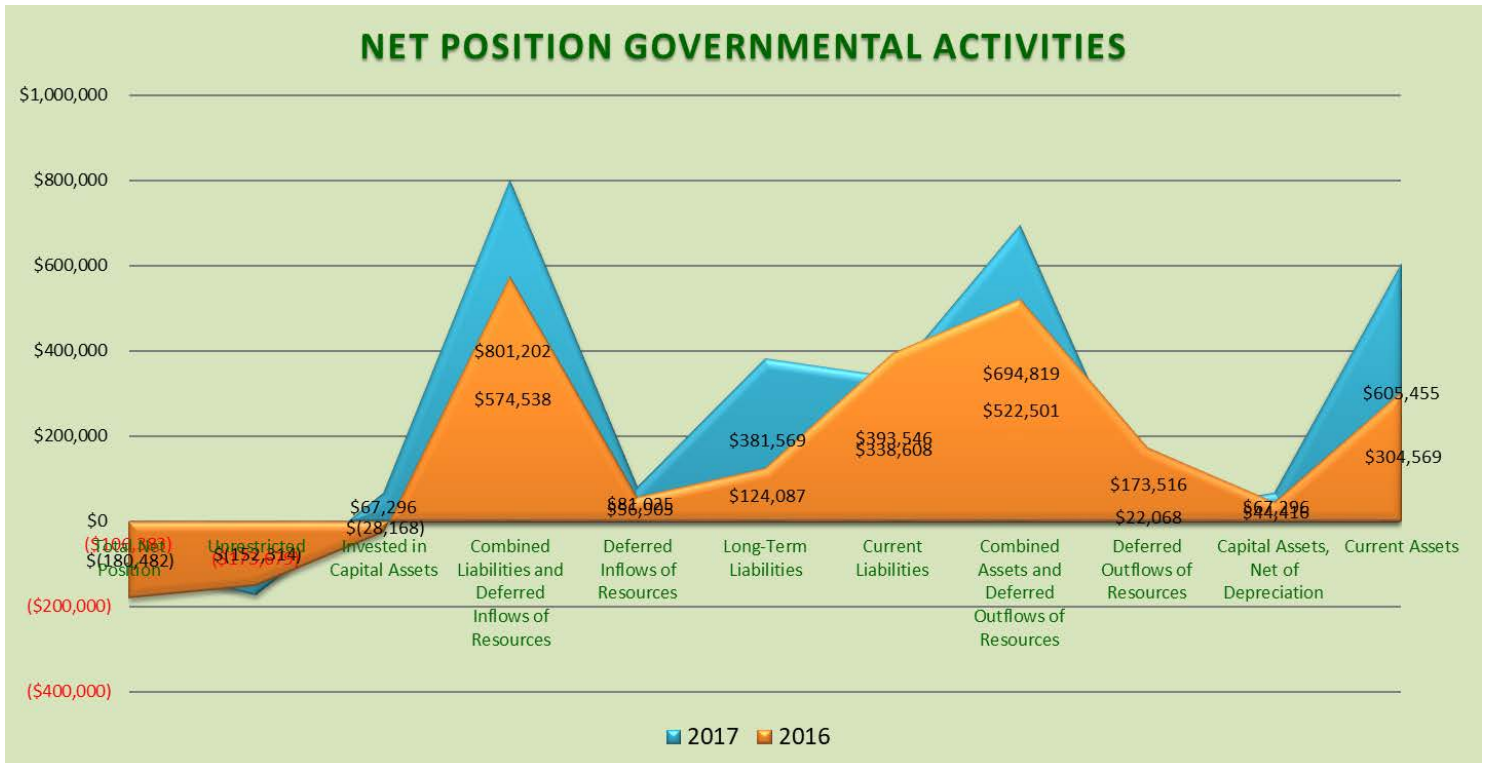
THE SWCD AS A WHOLE

Our analysis focuses on the net position and changes in Net Position of the SWCD's governmental activities. (See Table 1 Below)

NET POSITION (Table 1)

	GOVERNMENTAL ACTIVITIES	
	2016	2017
CURRENT ASSETS	\$ 304,569	\$ 605,455
CAPITAL ASSETS, NET OF DEPRECIATION	\$ 44,416	\$ 67,296
DEFERRED OUTFLOWS OF RESOURCES	\$ 173,516	\$ 22,068
COMBINED ASSETS & DEFERRED		
OUTFLOWS OF RESOURCES	\$ 522,501	\$ 694,819
CURRENT LIABILITIES	\$ 393,546	\$ 338,608
LONG-TERM LIABILITIES	\$ 124,087	\$ 381,569
DEFERRED INFLOWS OF RESOURCES	\$ 56,905	\$ 81,025
COMBINED LIABILITIES & DEFERRED		
INFLOWS OF RESOURCES	\$ 574,538	\$ 801,202
NET POSITION:		
INVESTMENTS IN CAPITAL ASSETS	\$ (28,168)	\$ 67,296
UNRESTRICTED	\$ (152,314)	\$ (173,679)
TOTAL NET POSITION	\$ (180,482)	\$ (106,383)

Net Position of the District's Governmental Activities increased by 41.06 % (\$180,482) compared to (\$106,383). (Also See Page 8 Statement of Net Position and Governmental Fund Balance Sheet) The primary reason for the decrease in the net position was due to the change in accounting principle, as referenced in Note 1 of the Notes to Financial Statements. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from (\$152,314) on December 31, 2016 to (\$173,679) at the end of this year. (See Bar-Graph Below and Table 2 on Page 6)



CHANGES IN NET POSITION (Table 2)

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2016</u>	<u>2017</u>
<u>REVENUES:</u>		
INTERGOVERNMENTAL	\$ 511,592	\$ 637,923
CHARGES FOR SERVICES	\$ 167,539	\$ 119,489
INTEREST EARNINGS	\$ 21	\$ 76
MISCELLANEOUS	\$ 3,372	\$ 4,605
TOTAL REVENUES	\$ 682,524	\$ 762,093
<u>EXPEDITURES</u>		
CONSREVATION	\$ 731,675	\$ 816,440
TOTAL EXPENDITURES	\$ 731,675	\$ 816,440
EXCESS OF REVENUES OVER (Under) EXPENDITURES	\$ (49,151)	\$ (54,347)
CHANGE IN ACCOUNTING PRINCIPLES	\$ (2,886)	\$ (52,037)
INCREASE (DECREASE) IN NET POSITION	\$ (52,037)	\$ (106,384)

The District's Total Revenues increased by 11.66% \$79,569. The total cost of Programs and Services also increased by \$84,765, or more or less than 11.59%.

THE DISTRICT's FUNDS

As the District completed the year, its general fund as presented in the Balance Sheet (Page 8) reported a combined fund balance of \$605,455 which is below last year's total of \$180,482.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual charges to appropriations (expenditures) were (\$718,581), (Page 10; Budget Comparison Statement Budget and Actual) above the final budgeted amounts. The most significant negative variance of (\$32,660) occurred in the District Capital Outlay Expenditures. This is due to the expenses related to the District migrating off of the USDA computer and telephone system. (computer hardware, software, and service) The most significant positive variance of \$64,752 occurred in State Grant Revenue.

CAPITAL ASSET AND LONG TERM LIABILITIES

CAPITAL ASSETS

At the end of 2017, the District had \$67,296 invested in capital assets. (See Table 3 Below) This amount represents a net increase (including additions and deductions) of \$22,880 from last year.

CAPITAL ASSETS AT YEAR-END (Table 3)

	<u>GOVERNMENTAL ACTIVITIES</u>	
	2016	2017
LAND	\$0	\$0
BUILDINGS & IMPROVEMENTS	\$0	\$0
EQUIPMENT	\$44,416	\$67,296
TOTAL	\$44,416	\$67,296

LONG-TERM LIABILITIES

At the end of 2017, the District had \$38,563 in accrued compensated absences and \$300,045 in Net Pension Liability. This compares to \$63,335 in 2016 for accrued compensated absences and \$365,378 for Net Pension Liability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact:

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**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET**

DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and Investments	\$ 419,664	\$ -	\$ 419,664
Accounts Receivable	\$ 29,110		\$ 29,110
Due From Other Governments	\$ 156,681		\$ 156,681
Capital Assets:			
Equipment (Net of Accumulated Depreciation)	\$ -	\$ 67,296	\$ 67,296
Total Assets	\$ 605,455	\$ 67,296	\$ 672,751
Deferred Outflows of Resources			
Defined Benefit Pension Plan	\$ -	\$ 22,068	\$ 22,068
Combined Assets and Deferred Outflows of Resources	\$ 605,455	\$ 89,364	\$ 694,819
LIABILITIES			
Current Liabilities:			
Unearned Revenue	\$ 351,390		\$ 351,390
Deposit on Sales	\$ 30,179		\$ 30,179
Long-Term Liabilities:			
Net Pension Liability	\$ -	\$ 300,045	\$ 300,045
Compensated Absences (due w/in 1 yr)	\$ -	\$ 38,563	\$ 38,563
Total Liabilities	\$ 381,569	\$ 338,608	\$ 720,177
Deferred Inflows of Resources			
Defined Benefit Pension Plan	\$ -	\$ 81,025	\$ 81,025
Combined Liabilities and Deferred Inflows of Resources	\$ 381,569	\$ 419,633	\$ 801,202
FUND BALANCE / NET POSITION			
Assigned	\$ -	\$ -	\$ -
Unassigned	\$ 223,886	\$ (223,886)	\$ -
Total Fund Balance	\$ 223,886	\$ (223,886)	\$ -
TOTAL LIABILITIES & FUND BALANCE	\$605,455		
NET POSITION			
Investments in Capital Assets		\$ 67,296	\$ 67,296
Unrestricted		\$ (173,679)	\$ (173,679)
Total Net Position		\$ (330,269)	\$ (106,383)
TOTAL LIABILITIES & NET POSITION		\$89,364	\$694,819

Notes To The Financial Statements are an integral part of the basic financial statements.

Mission: To provide leadership and direct assistance for conservation management of soil and water.



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STATEMENT OF ACTIVITIES AND
 GOVERNMENTAL FUND REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE

DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Activities
<u>REVENUES</u>			
Intergovernmental	\$ 637,814	\$ 109	\$ 637,923
Charges for Services	\$ 119,489	\$ -	\$ 119,489
Investment Earnings	\$ 76	\$ -	\$ 76
Miscellaneous	\$ 4,605	\$ -	\$ 4,605
Total Revenues	\$ 761,984	\$ 109	\$ 762,093
<u>EXPENDITURES / EXPENSES</u>			
Conservation			
Current	\$ 684,421	\$ 132,019	\$ 816,440
Capital Outlay	\$ 34,160	\$ (34,160)	\$ -
Total Expenditures/Expenses	\$ 718,581	\$ 97,859	\$ 816,440
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 43,403	\$ (97,750)	\$ (54,347)
Fund Balance/Net Position January 1	\$ 180,482	\$ (232,519)	\$ (52,037)
Fund Balance/Net Position December 31	\$ 223,886	\$ (330,269)	\$ (106,384)

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**BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL**

DECEMBER 31, 2017

	Original/Final Budget	Actual	Variance with Final Budget Positive (Neg)
REVENUES			
Intergovernmental			
County	\$ 172,925	\$ 176,200	\$ 3,275
Federal	\$ 50,000	\$ -	\$ (50,000)
State Grant	\$ 396,862	\$ 461,614	\$ 64,752
Total Intergovernmental	\$ 619,787	\$ 637,814	\$ 18,027
Charges for Services	\$ 171,000	\$ 119,489	\$ (51,511)
Miscellaneous			
Interest Earnings	\$ -	\$ 76	\$ 76
Other	\$ 2,500	\$ 4,605	\$ 2,105
Total Miscellaneous	\$ 2,500	\$ 4,681	\$ 2,181
Total Revenues	\$ 793,287	\$ 761,984	\$ (31,303)
EXPENDITURES			
District Operations			
Personnel Services	\$ 446,733	\$ 442,196	\$ 4,537
Other Services and Charges	\$ 36,680	\$ 42,364	\$ (5,684)
Supplies	\$ 3,000	\$ 5,720	\$ (2,720)
Capital Outlay	\$ 1,500	\$ 34,160	\$ (32,660)
Total District Operations	\$ 487,913	\$ 524,440	\$ (36,527)
Project Expenditures			
District	\$ 122,500	\$ 107,481	\$ 15,019
State	\$ 140,000	\$ 86,660	\$ 53,340
Total Project Expenditures	\$ 262,500	\$ 194,141	\$ 68,359
Total Expenditures	\$ 750,413	\$ 718,581	\$ 31,832
Excess of Revenues Over (Under)			
Expenditures	\$ 42,874	\$ 43,403	\$ 529
Fund Balance - January 1	\$ 266,789	\$ 180,482	\$ (86,307)
Fund Balance - December 31	\$ 309,663	\$ 223,886	\$ (85,778)

Notes To The Financial Statements are an integral part of the basic financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. THE FINANCIAL REPORTING POLICIES** of the Morrison Soil and Water Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards District (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).
- B. FINANCIAL REPORTING ENTITY** - The Morrison Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

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

The District provides technical and financial assistance to individuals, groups, Districts, 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.

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.

- 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 of the non-fiduciary activities of the District.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

D. 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.

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

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

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

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

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

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

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

G. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION -

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

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

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

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

CLASSIFICATION OF NET POSITION - Net position in the government-wide financial statements is classified in the following categories:

INVESTMENT IN CAPITAL ASSETS - The amount of net position representing capital assets net of accumulated depreciation.

RESTRICTED NET POSITION - The amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

UNRESTRICTED NET POSITION - The amount of net position that does not meet the definition of restricted or investment in capital assets.

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

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

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

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

RESTRICTED - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation.

COMMITTED - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District. Those committed amounts cannot be used for any other purposes unless the District removes or changes

the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

ASSIGNED - Amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District or the District Administrator who has been delegated that authority by District resolution.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

I. EXPLANATION OF ADJUSTMENTS COLUMN IN STATEMENTS -

CAPITAL ASSETS - In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount reported in the Capital Assets Note.

LONG-TERM LIABILITIES - In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence Liability the District has as of the report date. See note on Long-Term Liabilities.

DEPRECIATION AND CHANGE IN COMPENSATED ABSENCES FOR THE YEAR - In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

J. 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 16 hours per month. Sick leave accrual is 8 hours per month. The limit on the accumulation of vacation leave is 240 hours and the limit on the accumulation of sick leave is 800 hours. Upon Termination of employment from the District, employees are paid accrued vacation leave and sick leave hours.

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

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

NOTE 2 – DETAILED NOTES

A. CAPITAL ASSETS - Changes in capital Assets, Asset Capitalization and Depreciation.

	BEGINNING	ADDITION	DELETION	ENDING
EQUIPMENT	\$85,668	\$34,160	\$0	\$119,828
LESS: ACCUMULATED DEPRECIATION	\$41,252	\$11,280	\$0	\$52,532
NET CAPITAL ASSETS	\$44,416			\$67,296

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment. Current year depreciation is \$11,280.

The District uses the Threshold of \$500 for capitalizing assets purchased.

B. UNEARNED REVENUE - Unearned Revenue represents unearned advances from the Minnesota District of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2017, consists of the following:

BWSR Service Grant	\$ 20,252
BWSR FY17 State Cost Share Grant	\$ 8,757
BWSR FY18 State Cost Share Grant	\$ 22,808
BWSR Buffer Law Jump Start	\$ 25,000
BWSR Local Capacity Services Grant	\$ 174,573
BWSR State Cost-Share Program	<u>\$ 100,000</u>

TOTAL UNEARNED REVENUE **\$351,390**

C. LONG-TERM LIABILITIES - COMPENSATED ABSENCES PAYABLE -

Changes in long-term liabilities for the period ended December 31, 2017 are:

Balance January 1, 2017	\$ 28,168
Net Changes in Compensated Absences	<u>\$ 10,395</u>
BALANCE DECEMBER 31, 2017	<u>\$38,563</u>

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

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

E. CUSTODIAL CREDIT RISK DEPOSITS – Custodial credit is the risk that in the event of a financial institution failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District’s deposits were not exposed to custodial credit risk.

NOTE 3 - DEFINED BENEFIT PENSION PLANS

- A. PLAN DESCRIPTION – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)** – The District contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minn. Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-1855.
- 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. Coordinated Plan members were required to contribute 6.5% of their annual covered salary. The District is required to contribute 7.5% of annual covered payroll. The District’s contributions to the Public Employees Retirement Fund for the years ending December 31, 2017 and 2016 and 2015 were \$20,251 and \$24,172 and \$22,706, respectively. The District’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

NOTE 4 - OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement total costs for 2017 were \$8,123

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows:

Expenditures	\$ 694,819
Budget	\$ 381,569
Excess or Deficit	\$ 801,202

NOTE 6 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	\$ 180,482
Plus: Excess of Revenue Over Expenditures	\$ 43,403
GOVERNMENTAL FUND BALANCE, DECEMBER 31	<u>\$ 223,886</u>

Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$ 67,296
Plus: Deferred Outflow of Resources	\$ 22,068
Less: Long-Term Liabilities	(\$ 338,608)
Less: Deferred Inflows of Resources	<u>(\$ 81,025)</u>
NET POSITION	<u>\$ (89,364)</u>

NOTE 7 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	(\$ 43,403)
Capital Outlay	\$ 34,160
Pension Expense, Net	(\$ 110,235)
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	(\$ 11,280)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>(\$ 10,395)</u>
CHANGE IN NET POSITION	<u>(\$ 54,347)</u>

2017 BREAKDOWN OF COUNTY REVENUE

COUNTY REVENUES (breakdown):	
ANNUAL ALLOCATION	\$118,275
LAND SERVICES ENVIRON. REVIEWS	\$7,000
WATER PLAN ALLOCATION (LEVY)	\$7,018
LOCAL WATER MANAGEMENT - NRBG	\$13,609
WETLAND CONSERVATION ACT - NRBG	\$30,298
TOTAL	\$176,200

2017 UNEARNED REVENUE BREAKDOWN

Balance of BWSR Service Grants:		\$20,252	
Balance of <u>unencumbered</u> BWSR Cost-Share Grants:			
Current Fiscal Year 2018:		\$22,808	
Previous Fiscal Year 2017:		\$2,989	
Balance of encumbered, but not paid, BWSR Cost-Share Grant (list each contract separately):			
FY	CONTRACT NUMBER	CONTRACT AMOUNT	T & A EMCUMBERED
2017	12-17	\$2,500.00	
2017	16-17	\$400.00	
2017	17-17	\$500.00	
2017	18-17	\$1,312.00	
2017	19-17	\$1,056.00	
TOTAL of all Cost-Share Encumbrances:			\$5,768
Balance of County WCA Funds:			\$0
Balance of County Water Plan Funds:			\$0
Balance of Local Capacity Services Funds:			\$174,573
Balance of Buffer Law Jump Start:			\$25,000
Balance of Buffer State Cost Share:			\$100,000
TOTAL OF ALL UNEARNED REVENUE:			<u>\$351,390</u>