

**LYON SOIL AND WATER
CONSERVATION DISTRICT
COMPILED FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2014**

LYON SOIL AND WATER CONSERVATION DISTRICT

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Lyon Soil & Water Conservation District
1424 E College Drive, Ste. 600
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I have compiled the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyon Soil & Water Conservation District, as of and for the year ended December 31, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Lyon Soil & Water Conservation District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the budgetary comparison information and management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The effect of these omissions has not been determined.



Richard W. Holmberg, Ltd
Certified Public Accountant

December 30, 2015

LYON SOIL AND WATER CONSERVATION DISTRICT
Statement of Net Assets and Governmental Fund Balance Sheet
For the Year Ended December 31, 2014
(See Accountant's Compilation Report)

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash			
Cash in Bank	\$ 242,606		\$ 242,606
Savings Accounts	-		-
Total Cash	<u>242,606</u>		<u>242,606</u>
Total Assets	<u><u>242,606</u></u>	<u>-</u>	<u><u>242,606</u></u>
 Liabilities			
Unearned Revenue	<u>152,824</u>		<u>152,824</u>
Total Liabilities	<u>152,824</u>	<u>-</u>	<u>152,824</u>
 Fund Balance			
Unassigned	<u>89,782</u>	<u>(89,782)</u>	<u>-</u>
	<u><u>89,782</u></u>	<u><u>(89,782)</u></u>	<u><u>-</u></u>
 Net Assets			
Unrestricted		<u>89,782</u>	<u>89,782</u>
		<u><u>\$ 89,782</u></u>	<u><u>\$ 89,782</u></u>

See the Notes to the Financial Statements.

LYON SOIL AND WATER CONSERVATION DISTRICT
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2014
(See Accountant's Compilation Report)

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental			
State of Minnesota	75,199		75,199
Total Intergovernmental Revenues	<u>75,199</u>	<u>-</u>	<u>75,199</u>
 Total Revenues	 <u>75,199</u>	 <u>-</u>	 <u>75,199</u>
Expenditures\Expenses			
Project Expenditures\Expenses			
State	75,199		75,199
Total Project Expenditures\Expenses	<u>75,199</u>	<u>-</u>	<u>75,199</u>
 Total Expenditures\Expenses	 <u>75,199</u>	 <u>-</u>	 <u>75,199</u>
 Excess of Revenues Over(Under) Expenditures\Expenses	 -	 -	 -
 Fund Balance\Net Assets - January 1	 <u>89,782</u>		 <u>89,782</u>
 Fund Balance\Net Assets - December 31	 <u>\$ 89,782</u>	 <u>\$ -</u>	 <u>\$ 89,782</u>

See the Notes to the Financial Statements.

LYON SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lyon Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 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 Lyon Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's 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, 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 financial reporting policies of the District conform to generally accepted accounting principles.

A. Financial Reporting Entity

In conformance with standards established by the Governmental Accounting Standards Board, the District includes all funds and account groups that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

The District is not considered a part of Lyon County because it does not retain any control over the operations of the District.

B. Basis of Accounting

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 governmental activities, which normally are supported by appropriations and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds when differences exist.

LYON SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classify as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the corporation.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or thirty days thereafter to be used to pay liabilities of the current period.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budget

The District adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

E. Cash Equivalents

Lyon Soil and Water Conservation District recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

LYON SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Lyon Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

G. 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.

Due from Other Governments includes amounts for shared projects and grants.

2. Liabilities

Current liabilities include Accounts Payable and Unearned Revenue.

3. Equity

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. Nonspendable – The nonspendable 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 but not limited to: prepaid expenses, accrued interest receivable, taxes receivable, inventory, fixed assets.
- b. 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.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: unemployment compensation and sinking fund.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

LYON SOIL AND WATER CONSERVATION DISTRICT
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H. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditures are incurred. The District also receives an annual appropriation from the county, which 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.

Nonexchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program and other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

II. DETAILED NOTES ON ALL FUNDS

A. Capital Assets

As of January 1, 2014, all of the capital assets of the District were assumed by Lyon County.

B. Unearned Revenue

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

Regular/Special State Cost-Share - 2015	\$ 113,024
Regular/Special State Cost-Share - 2014	<u>39,800</u>
Total	<u><u>\$ 152,824</u></u>

C. Compensated Absences

As of January 1, 2014, all employees of the District became employees of Lyon County and all accrued liabilities related to those employees were assumed by that entity.

LYON SOIL AND WATER CONSERVATION DISTRICT
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D. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be covered 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 institutions banking day, not covered by insurance or bonds. All deposits are in category 1, low risk type investment.

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 at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of December 31, 2014, the carrying amount of the District's deposits with financial institutions was \$242,606, and the bank balance was \$242,606. The bank balance is categorized as follows:

Insured by FDIC Insurance	\$ 242,606
Covered by Collateral	0
Uninsured/Uncollateralized	0
Total	\$ 242,606

E. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Agency rated "A" or better; bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investments policies that would further limit investment choices.

The District does not carry any investments on its financial statements as of December 31, 2014.

**LYON SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

III. PENSION PLANS

As of January 1, 2014, all employees of the District became employees of Lyon County and all accrued liabilities related to those employees were assumed by that entity.

IV. RISK MANAGEMENT

All insurance coverage necessary to manage risk is provided by Lyon County.