

LYON SOIL AND WATER CONSERVATION DISTRICT

2015 FINANCIAL REPORT



Lyon Soil and Water Conservation District
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All programs and services of Lyon Soil and Water Conservation District are offered on a non-discriminatory basis, without regard to race, color, national origin, religion, sex, age marital status, or handicap.

**LYON SOIL AND WATER CONSERVATION DISTRICT ANNUAL
FINANCIAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2015**

BOARD SUPERVISORS - 2015

- Area 1 - Gary Crowley - 2015 Chairman
- Area 2 - Allen Deutz - 2015 Public Relations and Information
- Area 3 - Mark Meulebroeck - 2015 Secretary/Treasurer
- Area 4 - Gary Lavoy - 2015 Member
- Area 5 - Steve Prairie - 2015 Vice-Chairman

OFFICE STAFF - 2015

- John Biren - SWCD District Manager/Lyon County Zoning Administrator
- Todd Hammer - Assistant Planning and Zoning Administrator/Ditch Inspector
- Luke Olson - Conservation Technician
- Kyle Andreska - Farm Bill, Pheasants Forever Biologist
- Anita Cauwels - Administrative Assistant

Monthly 2015 Board Meetings - Every 4th Tuesday at Noon.

NRCS Office Staff - 2015

- Jamie Thomazin - District Conservationist
- David Hagberg - Soil Conservation Technician
- Open - Soil Conservationist
- Open - Administrative Assistant

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lyon 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 current years' activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements (beginning on page 9).

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 12. 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 most significant funds. Since District's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Lyon Soil and Water Conservation District has elected to present in this format.

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 5. 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 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 nonfinancial factors, however, such as changes in the District's property tax base and the condition of District's roads, 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.

Reporting District's General Fund

Fund Financial Statements

Our analysis of the District’s general fund begins on page 7. The fund financial statements begin on page 12 and 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.

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or fiduciary, over assets, which can only be used for the trust beneficiaries based on the trust arrangement. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages N/A and N/A_. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District’s combined net assets were higher, increasing from \$ 242,606 to \$ 359,451. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District’s governmental type activities.

TABLE 1
Net Assets

| | Governmental Activities | |
|---|-------------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$359,451 | \$242,606 |
| Capital assets | \$0 | \$0 |
| Total assets | <u>\$359,451</u> | <u>\$242,606</u> |
| Long-term liabilities | \$30,562 | \$0 |
| Current liabilities | \$156,766 | \$152,824 |
| Total liabilities | <u>\$187,328</u> | <u>\$152,824</u> |
| Net assets | \$172,122 | \$89,782 |
| Invested in capital assets, net of debt | \$0 | \$0 |
| Restricted | \$0 | \$0 |
| Unrestricted | \$172,122 | \$89,782 |
| Total net assets | <u>\$172,122</u> | <u>\$89,782</u> |

Net assets of the District governmental activities increased by 52 percent (\$172,122 compared to 89,782). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$89,782 surplus at December 31, 2014 to \$172,122 at the end of this year.

TABLE 2
Changes in Net Assets

| | Governmental Activities | |
|---|-------------------------|-----------------|
| | <u>2015</u> | <u>2014</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$0 | \$0 |
| Federal grants | \$0 | \$0 |
| State grants and entitlements | \$166,202 | \$75,199 |
| General revenues | | |
| Property taxes | \$0 | \$0 |
| Other taxes | \$0 | \$0 |
| Federal entitlements | \$0 | \$0 |
| Other general revenues | \$0 | \$0 |
| Total revenues | <u>\$166,202</u> | <u>\$75,199</u> |
| Program expenses | | |
| General government | | |
| Conservation | \$83,862 | \$75,199 |
| Total expenses | <u>\$83,862</u> | <u>\$75,199</u> |
| Excess (deficiency) before special items and transfers | \$82,340 | \$89,782 |
| Special items | \$0 | \$ |
| Transfers | \$0 | \$ |
| Increase (decrease) in net assets | <u>\$82,340</u> | <u>\$89,782</u> |

The District’s total revenues (excluding special items) increased by 45 percent (\$91,003). The total cost of all programs and services was virtually unchanged, it increased by \$8,663, or less than 11 percent with no new programs added this year. Even with this low growth in expenses, the District covered this year’s costs. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Revenues for the Districts governmental activities increased by 45 percent (\$91,003), while total expenses increased just under 11 percent (\$8,663).

The cost of all governmental activities this year was \$83,862 compared to \$75,199 last year. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through Districts taxes was \$0 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the District’s governmental program revenues, including intergovernmental aid and fees for services, increased in 2015 from \$75,199 to \$166,202 principally based on increases in intergovernmental aid. The District paid for the remaining “public benefit” portion of

governmental activities with \$0 in taxes (some of which could only be used for certain programs) and with other revenues. Table 3 presents the cost of each of the District’s largest programs. The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

**TABLE 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---------------|-------------------------|-------------------------|------------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Conservation | \$ 83,862 | \$ 75,199 | \$ 82,340 | \$ 0.00 |
| All others | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 00.0 |
| Totals | <u>\$ 83,862</u> | <u>\$ 75,199</u> | <u>\$82,340</u> | <u>\$ 00.0</u> |

THE DISTRICT’S FUNDS

As the District completed the year, its general fund (as presented in the balance sheet on page 9 reported a combined fund balance of \$ 172,122, which is slightly above last year’s total of \$89,782. Included in this year’s total change in fund balance, however, is a surplus of \$82,340 in the District’s General Fund. The primary reasons for the General Fund’s surplus mirror the governmental activities analysis highlighted on page 10.

General Fund Budgetary Highlights

The District does not approve a budget.

CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2015, the District did not have any capital assets.

**TABLE 4
Capital Assets at Year-end
(Net of Depreciation, in Thousands)**

| | Governmental Activities | |
|----------------------------|-------------------------|----------------|
| | 2015 | 2014 |
| Land | \$ 00.0 | \$ 00.0 |
| Buildings and improvements | 00.0 | 00.0 |
| Equipment | 00.0 | 00.0 |
| | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

Long-Term Liabilities

At the end of 2015 the District did not have any employees. Lyon County provides proper insurance coverage for the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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, contact the District: 1424 East College Drive, Suite 600, Marshall, MN 56258, (507) 537-0396.

**LYON SOIL AND WATER CONSERVATION DISTRICT
MARSHALL, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2015**

| | General Fund | Adjustments | Statement of Net Position |
|---|-------------------|---------------------|------------------------------|
| Assets | | | |
| Cash and Investments | \$ 359,451 | \$ - | \$ 359,451 |
| Prepaid Items | | - | - |
| Capital Assets: | | | |
| Equipment (net of accumulated depreciation) | - | | - |
| Total Assets | <u>359,451</u> | <u>-</u> | <u>359,451</u> |
| Deferred Outflows of Resources | | | |
| Defined Benefit Pension Plan | - | | - |
| Combined Assets and Deferred Outflows of Resources | <u>\$ 359,451</u> | <u>\$ -</u> | <u>\$ 359,451</u> |
| Liabilities | | | |
| Current Liabilities: | | | |
| Unearned Revenue | \$ 156,766 | \$ - | \$ 156,766 |
| Accrued Wages | | - | - |
| Deposit on Sales | | - | - |
| Long-term Liabilities: | | | |
| Net Pension Liability | - | | - |
| Due after one year | 30,562 | | 30,562 |
| Total Liabilities | <u>187,328</u> | <u>-</u> | <u>187,328</u> |
| Deferred Inflows of Resources | | | |
| Defined Benefit Pension Plan | - | | - |
| Combined Liabilities and Deferred Inflows of Resources | <u>\$ 187,328</u> | <u>\$ -</u> | <u>\$ 187,328</u> |
| Fund Balance/Net Position | | | |
| Fund Balance | | | |
| Nonspendable - Prepays | \$ - | \$ - | \$ - |
| Assigned - Compensated Absences | - | - | - |
| Unassigned | 172,122 | (172,122) | - |
| Total Fund Balance | <u>\$ 172,122</u> | <u>\$ (172,122)</u> | <u>\$ -</u> |
| Net Position | | | |
| Investments in Capital Assets | | \$ - | \$ - |
| Unrestricted | | 172,122 | 172,122 |
| Total Net Position | | <u>\$ 172,122</u> | <u>\$ 172,122</u> |

Notes are an integral part of the basic financial statements.

**LYON SOIL AND WATER CONSERVATION DISTRICT
MARSHALL, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | General Fund | Adjustments | Statement of Activities |
|--|--------------------------|--------------------|----------------------------|
| Revenues | | | |
| Intergovernmental | \$ 166,202 | \$ - | \$ 166,202 |
| Charges for Services | - | - | - |
| Investment Earnings | - | - | - |
| Miscellaneous | - | - | - |
| Total Revenues | <u>\$ 166,202</u> | <u>\$ -</u> | <u>\$ 166,202</u> |
| Expenditures/Expenses | | | |
| Conservation | | | |
| Current | \$ 83,862 | | \$ 83,862 |
| Capital Outlay | - | - | - |
| Total Expenditures/Expenses | <u>\$ 83,862</u> | <u>\$ -</u> | <u>\$ 83,862</u> |
| Excess of Revenues Over (Under) Expenditures/Expenses | <u>\$ 82,340</u> | <u>\$ -</u> | <u>\$ 82,340</u> |
| Fund Balance/Net Position January 1 | \$ 89,782 | | \$ 89,782 |
| Change in Accounting Principle | | - | |
| Fund Balance/Net Position December 31 | <u><u>\$ 172,122</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 172,122</u></u> |

Notes are an integral part of the basic financial statements.

**LYON SOIL AND WATER CONSERVATION DISTRICT
MARSHALL, MINNESOTA
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

| | Original/ Final Budget | Actual | Variance With Final Budget Positive (Neg) |
|---------------------------------|------------------------------|--------------------------|---|
| Revenues | | | |
| Intergovernmental | | | |
| County | \$ 79,603 | \$ 79,603 | \$ - |
| Local | | | - |
| Federal | | - | - |
| State Grant | 86,599 | 86,599 | - |
| Total Intergovernmental | <u>\$ 166,202</u> | <u>\$ 166,202</u> | <u>\$ -</u> |
| Charges for Services | | | \$ - |
| Miscellaneous | | | |
| Interest Earnings | | | \$ - |
| Other | | | - |
| Total Miscellaneous | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Revenues | <u>\$ 166,202</u> | <u>\$ 166,202</u> | <u>\$ -</u> |
| Expenditures | | | |
| District Operations | | | |
| Personnel Services | \$ 5,000 | \$ 5,000 | \$ - |
| Other Services and Charges | 7,500 | 7,500 | - |
| Supplies | | | - |
| Capital Outlay | | | - |
| Total District Operations | <u>\$ 12,500</u> | <u>\$ 12,500</u> | <u>\$ -</u> |
| Project Expenditures | | | |
| District | | | \$ - |
| State | 71,362 | 71,362 | - |
| Total Project Expenditures | <u>\$ 71,362</u> | <u>\$ 71,362</u> | <u>\$ -</u> |
| Total Expenditures | <u>\$ 83,862</u> | <u>\$ 83,862</u> | <u>\$ -</u> |
| Excess of Revenues Over (Under) | | | |
| Expenditures | <u>\$ 82,340</u> | <u>\$ 82,340</u> | <u>\$ -</u> |
| Fund Balance - January 1 | \$ 89,782 | \$ 89,782 | \$ - |
| Change in Accounting Principle | | | |
| Fund Balance - December 31 | <u><u>\$ 172,122</u></u> | <u><u>\$ 172,122</u></u> | <u><u>\$ -</u></u> |

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2015**

COUNTY REVENUES (breakdown):

| | |
|-------------------|------------------|
| ANNUAL ALLOCATION | \$ 0 |
| WATER PLAN MONEY | \$ 13,689 |
| WETLAND MONEY | \$ 8,778 |
| FEEDLOT MONEY | \$ 35,798 |
| ABANDONED WELL | \$ 0 |
| DNR SHORELAND | \$ 2,738 |
| SSTS | \$18,600 |
| TOTAL | <u>\$ 79,603</u> |

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

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

- Operation Expenses
 - Rent
 - Phone
 - Internet
 - Insurance
 - Vehicles
 - Office Supplies
- Employee Expenses
 - Salary
 - Health Insurance
 - Employment Taxes

**UNEARNED REVENUE BREAKDOWN
2015**

Balance of BWSR Service Grants: \$ 62,440

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 14,141
Previous fiscal year \$ 0

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

| FY | Contract No. | Contract Amount | T & A Encumbered |
|--------------------------------------|--------------|--------------------|---------------------|
| 2015 | CWA 57-01 | \$3,438 | |
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| | | | |
| Total of all Cost-Share Encumbrances | | | \$ 3,438 |

Balance of County WCA Funds: \$ 8,778

Balance of County Water Plan Funds: \$ 13,689

Balance of other funds being deferred (list if any):

| | | |
|--------------------------|-----------|-----------|
| Shoreland | \$ 2,793 | |
| SSTS | \$ 23,600 | |
| Feedlot | \$ 27,887 | |
| Subtotal of other funds: | | \$ 54,280 |

TOTAL OF ALL UNEARNED REVENUE: \$ 156,766

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Lyon 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).

Changes in Accounting Principles

During the year ended December 31, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Financial Reporting Entity

The Lyon 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.

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.

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.

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.

Budget Information

The District does not adopt a budget annually. The District does not use encumbrance accounting.

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.

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.

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.

Explanation of Adjustments Column in Statements

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

Long-Term Liabilities: 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 Lyon County.

Depreciation and Change in Compensated Absences for the year: The District does not have any capital assets or employees.

Vacation and Sick Leave

The District does not have any employees, all liability related to employees was assumed by Lyon County.

Risk Management

Insurance coverage necessary to manage risk is provided by Lyon County.

Note 2 - Detailed Notes

Capital Assets

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

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board 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, 2015, consists of the following: MPCA Feedlot \$27,887, BWSR NRBG \$48,860, BWSR Program and Operations \$44,019, BWSR Buffers and Ag Certification \$36,000.

Long-Term Liabilities - Compensated Absences Payable

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 Lyon County.

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.

Custodial Credit Risk Deposits

Custodial credit risk 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, 2015, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description - Public Employees Retirement Association

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 Lyon County.

Funding Policy

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 Lyon County.

Note 4 - Operating Leases

Lyon County provides office space.

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 \$53,300; Budget \$53,300; Excess \$0.

Note 6 - Reconciliation of Fund Balance to Net Position

| | |
|--|------------------|
| Governmental Fund Balance, January 1 | \$89,782 |
| Plus: Excess of Revenue Over Expenditures | <u>82,340</u> |
| Governmental Fund Balance, December 31 | <u>\$172,122</u> |
| Adjustments from Fund Balance to Net Position: | |
| Plus: Capital Assets | |
| Plus: Deferred Outflows of Resources | |
| Less: Long-Term Liabilities | |
| Less: Deferred Inflows of Resources | <u>0</u> |
| Net Position | <u>\$172,122</u> |

Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position

| | |
|--|-----------------|
| Change in Fund Balance | \$82,340 |
| Capital Outlay | |
| The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level. | (0) |
| In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned. | <u>(0)</u> |
| Change in Net Position | <u>\$82,340</u> |