

**LYON SOIL AND WATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Lyon Soil & Water Conservation District ~ Board of Supervisors ~ 2012**

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**LYON SOIL AND WATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2012**

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**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

This section of the annual financial report of the Lyon Soil and Water Conservation District presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. 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 District's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The District's Statement of Activities and Governmental Revenues, Expenditures and Changes Fund Balance reflects its position at the end of the process transitioning this agency within Lyon County.

**USING THIS ANNUAL REPORT**

This annual report consists of three main topics:

- 1) Management's Discussion and Analysis (MDA);
  - 2) Basic Financial Statements;
  - 3) Required supplementary information
- The Basic financial statements include a series of financial statements.
  - The Statement of Net Assets and the Statement of Activities 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 tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds.
  - Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentation. The SWCD has elected to present in this format.

## **LYON SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the differences in these two statements. The Statement of Net Assets under the "Adjustments" column shows the differences in the two statements.
- Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found with-in this report.

### **Statement of Net Assets and Statement of Activities**

The analysis of the Lyon Soil and Water Conservation District begins with the Statement of Net Assets and the Statement of Activities page 8. 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 Assets 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 assets and changes in them. You can think of the District's net assets - 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 assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of the District.

In the Statement of Net Assets 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 also finance activities.

### **FUND FINANCIAL STATEMENTS**

The Lyon Soil and Water Conservation District general fund is presented in this report. The fund financial statements are included and provide detailed information about the general fund not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation with the financial statements.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to the Financial Statement**

The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

These notes provide information such as:

- 1) Summary of significant accounting policies;
- 2) Stewardship, compliance and accountability;
- 3) Deposits and Investments;
- 4) Changes in General Fixed Assets;
- 5) Deferred Revenue;
- 6) Compensated Absences Payable;
- 7) Risk Management;
- 8) Pension Plan; and
- 9) Operating Leases.

*The Notes to the Financial Statement are an important part of this report and should be referred to for explanation of the financial statements.*

**Statement of Net Assets**

The Lyon Soil and Water Conservation District's net assets increased slightly from one year ago. Our analysis below focuses on the net assets (Table 1) of the District's governmental activities.

**Table 1**

Statement of Net Assets	Governmental Activities	
	<u>Dec 31, 2012</u>	<u>Dec. 31, 2011</u>
Current Assets	\$ 115,643.00	\$ 97,192.17
Capital Assets Net of Depreciation	<u>\$ 3,064.00</u>	<u>\$ 4,493.56</u>
<b>Total Assets</b>	<b>\$118,707.00</b>	<b>\$ 101,685.73</b>
<i>Current and Other Liabilities</i>	<u>\$ 83,290.00</u>	<u>\$ 73,081.19</u>
Net Assets:		
Invested in Capital Assets	\$ 3,064.00	\$ 4,493.56
Restricted/Designated		
Unrestricted/Undesignated	<u>\$ 32,353.00</u>	<u>\$ 24,110.98</u>
Total Net Assets	<u>\$ 30,761.00</u>	<u>\$ 28,604.54</u>
<b>Total liabilities and Net Assets</b>	<b>\$118,707.00</b>	<b>\$ 101,685.73</b>

Under the Net Assets, the Restricted/Designated funds are designated for certain programs specified by the State and/or District. Unrestricted/Undesignated net assets are 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.

## GOVERNMENTAL ACTIVITIES

Table 2 reflects changes in Governmental Activities of the District. It also reflects some of the actual District's Charges for Services - District program changes from 2011 to 2012.

### LYON SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 2**

Changes in Net Assets

	Governmental Activities	
	Dec 31, 2012	Dec. 31, 2011
<b>Revenues</b>		
County - General Admin Grant	\$ 87,500.00	\$ 87,500.00
Wetland Conservation Act Admin	\$ 8,778.00	\$ 8,630.00
State - Cost Share and Administrative	\$109,215.00	\$175,369.29
State -- Other grants	\$ -0-	\$ -0-
Interest Earnings	\$ 61.00	\$ 294.19
Other	\$ 5,225.00	\$ 30,135.59
Charges for Services – Tree/matting Sales	\$ -0-	\$ 9,667.73
<b>Total Revenues</b>	<b><u>\$ 210,779.00</u></b>	<b><u>\$311,596.80</u></b>
<b>Expenditures</b>		
Charges for Services – Tree/Matting	\$ -0-	\$ 6,934.68
Conservation-All Other but cost share pmts	\$ 80,525.00	\$146,015.64
State Cost Share Project payments	\$ 50,383.00	\$147,734.18
Capital Outlay	\$ -0-	\$ -0-
<b>Total Expenditures</b>	<b><u>\$130,908.00</u></b>	<b><u>\$300,684.50</u></b>

The Changes in Net Assets are as follows:

**State funds:** reflect a difference in revenue due to the decrease in funding available through the Clean Water Legacy program and the amount of contracts that were completed in 2012.

**District Expenditures & Revenues:** This agency has been involved in a restructuring process due to the leaving of the entire staff. The goal was to move within Lyon County but maintain a conservation agency to execute the programs which were already in place. The County financial support was continued as was revenue received from the State Cost Share Grant. Staff hiring was done as the year went on and once the agreement was in place with Lyon County the two staff members became Lyon County employees. Between reduced payroll and discontinuing the tree program the District's revenues and expenditures were greatly affected.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THE DISTRICT'S FUNDS**

As the District completed the year, under the general fund column as presented in the Statement of Net Assets, reported a combined fund balance of \$27,697. This amount plus the Assets net of accumulated depreciation \$3,064 and minus the Compensated Absences ( -0- ) gives a total of \$30,761 under the "Adjustments" column for the Statement of Net Assets. This amount was over last year's total by \$2,156. The reasons for the General Fund's increase mirror the Statement of Net Assets under the Fund Financial Statements section as highlighted in the attached report.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$117,032 below the budget amounts. The significant change occurred because of the District going through its transition. A budget was adopted similar to the prior year not knowing what the final figures would look like. It was the District's intent to continue to operate the programs throughout the year while hiring staff and moving toward the eventual agreement with Lyon County.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

In 2004, the LYON Soil and Water Conservation District developed the following schedules:

- Guide to Capital Assets
- Schedule of General Capital Assets and Changes

These were part of the compliance by the District to the GASB #34 Accounting changes for the District. These will be maintained and updated as needed. These are available upon request.

The Schedules of General Capital Assets and Changes in General Capital Assets consist of capital assets over the District threshold of \$1,000.00. At the end of 2012, the District had \$21,311.00 invested in capital assets, including vehicles, equipment and furniture and fixtures.

The District Capital assets value of \$ 21,311.00 less accumulated depreciation of \$18,247.00 is reflected in the investment in Capital Assets shown as \$ 3,064.00 at the end of 2012.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 3**

Capital Assets at Year-end (Net of Depreciation)

Assets	Governmental Activities	
	<u>Dec 31, 2012</u>	<u>Dec. 31, 2011</u>
Vehicles and Equipment	\$ 21,311.00	\$27,511.00
(Net of Depreciation)	\$ 3,064.00	\$ 4,493.56

## **Liabilities**

Liability obligations regarding accrued vacation pay is no longer pertinent for the District. As of January 1, 2012 all District Staff was reimbursed accrued vacation pay. New staff as of January 1, 2012 became the liability of Lyon County. Also, per agreement all equipment becomes property of the County. Notes to the Financial Statement detail the District obligations that have occurred during this transition.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's elected officials considered many factors when setting the fiscal 2012 year budget. Some of the economic factors taken into account were: State funding, Federal Contribution Agreements, County Contribution Agreements and the Lyon County allocation ~ 2012 Budget planning was difficult as there were many unknowns as the District and County were developing a partnering agreement. The 2013 budget will consist of the Lyon SWCD working to implement the programs from which grants were received.

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

This financial report is designed to provide our citizens, taxpayers, and customers 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:

Lyon Soil and Water Conservation District,  
1424 East College Drive – Suite 600,  
Marshall, MN 56258.  
Phone number: 1-507-537-0396 ext. #3.



LYON SOIL AND WATER CONSERVATION DISTRICT  
 1424 E. College Drive, Suite 600 Marshall, MN 56258

STATEMENT OF NET ASSETS AND  
 GOVERNMENTAL FUND BALANCE SHEET  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$111,275.00		\$111,275.00
Accounts receivable	\$0.00		\$0.00
Due from other governments	\$0.00		\$0.00
Prepaid items	\$4,368.00		\$4,368.00
Capital Assets:	\$0.00		\$0.00
Equipment (net of accumulated depreciation)	\$0.00	\$3,064.00	\$3,064.00
<b>Total Assets</b>	<b>\$115,643.00</b>	<b>\$3,064.00</b>	<b>\$118,707.00</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$0.00		\$0.00
Salaries payable	\$0.00		\$0.00
Deferred revenue	\$83,290.00		\$83,290.00
Long-term liabilities:	\$0.00		\$0.00
Due within one year	\$0.00		\$0.00
Due after one year	\$0.00		\$0.00
<b>Total Liabilities</b>	<b>\$83,290.00</b>	<b>\$0.00</b>	<b>\$83,290.00</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable	\$4,368.00		\$4,368.00
Committed	\$0.00		\$0.00
Assigned	\$0.00		\$0.00
Unassigned	\$23,329.00		\$23,329.00
<b>Total Fund Balance</b>	<b>\$27,697.00</b>	<b>\$0.00</b>	<b>\$27,697.00</b>
Net Assets			
Invested in capital assets		\$3,064.00	\$3,064.00
Unassigned		\$27,697.00	\$27,697.00
<b>Total Net Assets</b>		<b>\$30,761.00</b>	<b>\$30,761.00</b>

Notes are an integral part of the basic financial statements.

LYON SOIL AND WATER CONSERVATION DISTRICT  
 1424 E. College Drive, Suite 600 Marshall, MN 56258

STATEMENT OF ACTIVITIES AND  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$205,493.00	\$0.00	\$205,493.00
Charges for services	\$0.00	\$0.00	\$0.00
Investment earnings	\$61.00	\$0.00	\$61.00
Miscellaneous	\$5,225.00	\$0.00	\$5,225.00
<b>Total Revenues</b>	<b>\$210,779.00</b>	<b>\$0.00</b>	<b>\$210,779.00</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$130,908.00	(\$5,788.00)	\$125,120.00
Capital outlay	\$0.00	\$0.00	\$0.00
<b>Total Expenditures/Expenses</b>	<b>\$130,908.00</b>	<b>(\$5,788.00)</b>	<b>\$125,120.00</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$79,871.00</b>	<b>(\$5,788.00)</b>	<b>\$74,083.00</b>
<b>Fund Balance/Net Assets January 1</b>	<b>\$31,329.00</b>	<b>(\$2,724.00)</b>	<b>\$28,605.00</b>
<b>Fund Balance/Net Assets December 31</b>	<b>\$111,200.00</b>	<b>(\$8,512.00)</b>	<b>\$102,688.00</b>

Notes are an integral part of the basic financial statements.

LYON SOIL AND WATER CONSERVATION DISTRICT  
 1424 E. College Drive, Suite 600 Marshall, MN 56258

BUDGETARY COMPARISON STATEMENT  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$96,240.00	\$96,240.00	\$96,278.00	\$38.00
Local	\$20,000.00	\$20,000.00	\$0.00	(\$20,000.00)
Federal	\$0.00	\$0.00	\$0.00	\$0.00
State grant	\$120,650.00	\$120,650.00	\$109,215.00	(\$11,435.00)
<b>Total intergovernmental</b>	<b>\$236,890.00</b>	<b>\$236,890.00</b>	<b>\$205,493.00</b>	<b>(\$31,397.00)</b>
<b>Charges for services</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Miscellaneous</b>				
Interest earnings	\$100.00	\$100.00	\$61.00	(\$39.00)
Other	\$10,950.00	\$10,950.00	\$5,225.00	(\$5,725.00)
<b>Total miscellaneous</b>	<b>\$11,050.00</b>	<b>\$11,050.00</b>	<b>\$5,286.00</b>	<b>(\$5,764.00)</b>
<b>Total Revenues</b>	<b>\$247,940.00</b>	<b>\$247,940.00</b>	<b>\$210,779.00</b>	<b>(\$37,161.00)</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$131,771.00	\$131,771.00	\$38,543.00	\$93,228.00
Other services and charges	\$28,200.00	\$28,200.00	\$39,580.00	(\$11,380.00)
Supplies	\$1,500.00	\$1,500.00	\$2,402.00	(\$902.00)
Capital outlay	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total district operations</b>	<b>\$161,471.00</b>	<b>\$161,471.00</b>	<b>\$80,525.00</b>	<b>\$80,946.00</b>
<b>Project expenditures</b>				
District	\$6,469.00	\$6,469.00	\$18,791.00	(\$12,322.00)
State	\$80,000.00	\$80,000.00	\$31,592.00	\$48,408.00
<b>Total project expenditures</b>	<b>\$86,469.00</b>	<b>\$86,469.00</b>	<b>\$50,383.00</b>	<b>\$36,086.00</b>
<b>Total Expenditures</b>	<b>\$247,940.00</b>	<b>\$247,940.00</b>	<b>\$130,908.00</b>	<b>\$117,032.00</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$79,871.00</b>	<b>\$79,871.00</b>
<b>Fund Balance - January 1</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$31,329.00</b>	<b>\$31,329.00</b>
<b>Fund Balance - December 31</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$111,200.00</b>	<b>\$111,200.00</b>

Notes are an integral part of the basic financial statements.

## BREAKDOWN OF COUNTY REVENUE ~ 2012

### County Revenues (breakdown):

Annual Allocation	\$87,500.00
Water Plan money	\$0.00
Wetland Money	\$8,778.00
Feedlot Money	\$0.00
Abandoned Well	\$0.00
DNR Shore land	\$0.00
Other	<u>\$0.00</u>
<b>TOTAL</b>	<b>\$96,278.00</b>

Lyon SWCD does not receive any other financial support from Lyon County.

<b>Lyon Soil &amp; Water Conservation District</b> <b>DEFERRED REVENUE BREAKDOWN</b> <b>12/31/2012</b>
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Service Grant BWSR 12/31/2012	\$51,496.00	\$51,496.00
Cost Share Unencumbered	\$15,503.00	* \$14,182.00
2011 return/not in unencum	\$1,321.00	
2012 unencumbered	* \$3,263.00	
2013 unencumbered	* \$10,919.00	

Encumbered Cost Share

Contract #	Amount	T & A
07//11	\$ 1,757.00	\$ 439.00
04//11	\$ 720.00	\$ 180.00
06//13	\$ 2,553.00	\$ -
07//13	\$ 4,911.00	\$ -
	\$ 9,941.00	\$ 619.00

Total Encumbered Cost Share		\$10,560.00
2013 local funds encumbered		
01//13	\$ 3,305.00	
04//13	\$ 3,747.00	
Total Encumbered Local funds		\$ 7,052.00
Total CS unencumbered/encumbered		\$31,794.00
Total Deferred Revenue		\$83,290.00

**LYON SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATIONS FOR THE STATEMENT OF ACTIVITIES AND  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2012**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities**

Change in Fund Balance – Total Governmental Funds	\$79,871.00
Depreciation expenses on capital assets are not reported as an expenditure in Governmental funds, Compensated Absences are not considered a current expense.	\$ 1,430.00
The Amount of \$5,788 is calculated as the Depr Expense less the decrease in compensated absences totaling \$7,218	(\$5,788.00)
<i>Changes in Net Assets of Governmental Activities</i> .....	<b>\$74,083.00</b>

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets**

<i>Total Fund Balance – Total Governmental Funds</i>	\$27,697.00
Amounts reported for governmental activities in the Statement of Net Assets are different because, as shown under the “Adjustments” column, the Capital Assets are added to the Net Assets, while the Compensated Absences are a liability and are therefore subtracted from the Net Assets for the Total Net Assets as follows: Capital assets of \$3,064 net of accumulated depreciation are not financial resources and, therefore, are not reported in the general funds.	\$ 3,064.00
Compensated absences totaled zero.	-0-
<b><i>Net Assets of Governmental Funds</i></b>	<b>\$30,761.00</b>

**LYON SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Lyon Soil and Water Conservation District (SWCD) must 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 MN Stat. Chapter 103C and is governed by a Board of Supervisors composed of five members elected by voters of the District 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 staff and supervisors to follow in order to achieve the District's objectives.

An agreement has been approved between Lyon County and Lyon SWCD. This agreement continues to allow the District to approve, implement and control the grant funds while the operational expenditures become Lyon County's responsibility.

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 Lyon 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.

# LYON SOIL AND WATER CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 Asset 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 leave that has vested or is expected to vest.

#### C. Government-Wide Financial Statements

The government-wide financial statement (i.e. The Statement of Net Assets and the Statement of Activities) reports 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 segments 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.

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

Agricultural conservation fees and other revenues 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.



## **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 received 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.

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 materials and supplies used in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange 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.

### **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.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 the 2004 statement year, 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.

Reserved fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriate for spending.

Unreserved, designated account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unreserved, undesignated fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

## **Explanation of Adjustment Column in Statements**

- 1) **Capital Assets:** In the Statement of Net Assets and Governmental Fund Balance Sheet, and 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, and adjustment if made to reflect the total of Compensated Absence liability the district has as of the report date. Nee Note 1-G
- 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 the notes.

### **F. Vacation and Sick Leave**

Due to the District restructuring and employees becoming Lyon County personnel all vacation and sick leave were not a reporting issue once those compensations were paid at the time of the past employee departures.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. General Fund Deficit**

N/A

### **B. Excess of Expenditures Over Budget**

During 2012, actual revenues and expenditures were less than budgeted

### **C. Uncollateralized deposits**

During 2012, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

**LYON SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2012, the District's deposits totaled \$111,275 of which all were cash deposits with no cash invested in certificates of deposits (CD's). Minnesota statutes require that all District deposits be covered by insurance, surety bond or collateral. At December 31, 2012, all the District's deposits were covered by insurance or collateralized with securities held by the District's agent in the District's name.

**IV. CHANGES IN GENERAL FIXED ASSETS**

Although the fixed assets (capital assets) are no longer reported on a gross basis, for insurance purposes, the District uses the following Fixed Asset amount for insurance purposes, which includes the replacement costs of fixed assets, additions and deletions over \$1000.00.

Vehicles & Equipment (for insurance purposes):

Balance January 1, 2012	\$ 27,511.00
Additions	\$ -0-
Deletions	<u>\$ 6,200.00</u>
<u>Balance December 31, 2012</u>	<u>\$ 21,311.00</u>

To correspond with the fact that the capital assets are now reported on a net depreciated basis with the District threshold of \$1,000.00 (cost of asset) being depreciated. The District had \$21,311 invested in capital assets, including: Vehicles, Equipment and Machinery. The Capital Assets over \$1,000.00 and Net of Depreciation are as follows:

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities	
Assets	Dec. 31, 2011	Dec. 31, 2012
Vehicles & Equipment	\$ 27,511.00	\$ 21,311.00
Depreciation	(23,017.00)	(18,247.00)
(Net of Depreciation)	\$ 4,494.00	\$ 3,064.00

(Detailed lists and schedules are available at the SWCD office)

**V. DEFERRED REVENUE**

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources for various programs, the largest amount being the State Cost Share program, which provides payments to landowners to assist in the cost of installation of conservation practices. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$83,290.00

## LYON SOIL AND WATER CONSERVATION DISTRICT NOTES TO THE FINANCIAL STATEMENTS

### VI COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the year ended December 31, 2011 are:

Balance – January 1, 2012	\$ (846.00)
Net change compensated absences(increase)	<u>\$ 846.00</u>
Balance – December 31, 2012	\$ -0-

### 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, workers' compensation and errors and omissions are insured through Minnesota Counties Insurance Trust.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no reductions in insurance from the previous year or settlements 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. 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 requires supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, P.O. Box 75608, St. Paul, MN 55175-0608. Employees by the end of 2012 have become Lyon County personnel.

#### B. Funding Policy

Plan members are required to contribute 6.25% of their covered salary and the District is required to contribute 7.25%. The contribution requirements of plan members and the District are established by State Statute and were followed for the year 2012.

### IX. OPERATING LEASES

The District leases office space on a yearly basis as an independent lease from the building owner. As of 2009, the District no longer leases under the USDA lease.