

**CASS
SOIL AND WATER
CONSERVATION
DISTRICT**

Year End 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR CASS SOIL AND WATER CONSERVATION DISTRICT

The Cass Soil and Water Conservation District's discussion and analysis provides an overview of the district's financial activities for the fiscal year ended 2016. 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 financial statements.

This annual report consists of three parts: management's discussion and analysis (this section), and the basic financial statements and the required supplementary information. The financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities 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, financial statements tell how 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 SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations.

The Statement of Net Assets and the Statement of Activities report information about the district as a whole and help the district decide if it is better or worse off as result of the year's activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The two statements report the net position and any changes in them. Over time, increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the district presents governmental activities. Appropriations from the county and state finance most activities.

The Cass Soil and Water District's Funds

The district's total revenues decreased from last year's revenues and the cost of services increased. As the district completed the year, its general fund reported a combined fund balance of **\$ 81,425.56** which is above last year's total of **\$ 75,192.39**. Resources available for appropriation were above the final budgeted amount.

Contacting the Cass Soil and Water Conservation District

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 accountability for money it receives. If you have questions about this report or need additional financial information, contact the Cass Soil and Water Conservation District at PO Box 3000, Walker MN 56484 or at 218-547-7399 or cass.esd@co.cass.mn.us.

Cass Soil and Water Conservation District

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET FOR
YEAR ENDED December 31, 2016

	General Fund	Adjustments See Notes	Statement of Net Position
<u>ASSETS</u>			
Cash and investments	169,934.80		
TOTAL ASSETS	169,934.80		
<u>DEFERRED OUTFLOWS OF RESOURCES (DBPP)</u>			
	Cass SWCD does not have anything to report here		
<u>COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
	Cass SWCD does not have anything to report here		
<u>LIABILITIES</u>			
CURRENT:			
Unearned Revenue	88,509.24		
Due within one year	0.00		
TOTAL LIABILITIES	88,509.24		
TOTAL FUND BALANCE	81,425.56		

Cass Soil and Water Conservation District

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE FOR
YEAR ENDED DECEMBER 31, 2016**

REVENUES	General Fund	Adjustments See Notes	Statement of Net Assets
County	<u>3,200.00</u>		<u>3,200.00</u>
Reimbursed Expenses	<u>497,141.12</u>		<u>497,141.12</u>
Intergovernmental	<u>160,419.78</u>		<u>160,419.78</u>
Charges for services	<u>600.00</u>		<u>600.00</u>
Investment earnings	<u>425.13</u>		<u>425.13</u>
Miscellaneous	<u>26,020.48</u>		<u>26,020.48</u>
TOTAL REVENUES	<u>687,806.51</u>		<u>687,806.51</u>
EXPENDITURES			
Conservation	<u>12,043.68</u>		<u>12,043.68</u>
Current	<u>654,590.80</u>		<u>654,590.80</u>
TOTAL EXPENDITURES	<u>681,573.34</u>		<u>681,573.34</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,233.17</u>		
FUND BALANCE/NET ASSETS JAN 1	<u>75,192.39</u>		
FUND BALANCE/NET ASSETS DEC 31	<u>81,425.56</u>		

Cass Soil and Water Conservation District

**BUDGET COMPARISON STATEMENT
BUDGET AND ACTUAL GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

	Budget	Actual	Variance Fav or Unfav
REVENUES			
Intergovernmental			
County	7,999.80	3,200.00	(4,799.80)
State	140,620.80	160,419.78	19,798.98
Reimbursed Expenses	0.00	497,141.12	497,141.12
TOTAL INTERGOVERNMENTAL	148,620.60	660,760.90	512,140.30
MISCELLANEOUS			
Charges for services	480.00	600.00	120.00
Interest	485.04	425.13	(59.91)
Other Misc	30,372.00	26,020.48	(4,351.52)
TOTAL MISCELLANEOUS	31,337.04	27,045.61	(4,291.43)
TOTAL REVENUES	179,957.64	687,806.51	507,848.87
EXPENDITURES			
DISTRICT OPERATIONS			
Personal Services	16,999.92	14,938.86	(2,061.06)
Other Services & Charges	18,199.44	12,043.68	(6,155.76)
TOTAL DISTRICT OPERATIONS	35,199.36	26,982.54	(8,216.82)
PROJECT EXPENDITURES			
State	144,558.00	654,590.80	510,032.80
TOTAL EXPENDITURES	179,757.36	681,573.34	501,815.98
Excess of Revenues Over (Under)	200.28	6,233.17	6032.89
Fund Balance – January 1		75,192.39	
Fund Balance – December 31		81,425.56	

**NOTES TO THE FINANCIAL STATEMENTS
FOR CASS SOIL AND WATER CONSERVATION DISTRICT
December 31, 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Cass Soil and Water Conservation District (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, 2016, 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.

It has been determined by PERA and Michael Peterson of Peterson Company Ltd that Cass SWCD does not have to report any Pension Accounting info because we have not had any employees since 2010 and Cass SWCD does not have any supervisors participating in PERA.

Financial Reporting Entity

The district is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board composed of one member from each of the participating Soil and Water Conservation Districts, elected to four year terms.

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, 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.

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.

Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the District.

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

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

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

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 Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

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.

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

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 statement 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.

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:

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 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.

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. 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 reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources for administrative service grants and for the cost share program. Revenues will be recognized when the related program expenditures are recorded.

Total Unearned Revenue for the year ended December 31, 2016 consists of the following – BWSR Cost Share - \$ 7,454.35, BWSR Service Grants - \$ 17,544.79, Wild Rice Easement - \$ 7,929.39, CISCO Lakes (\$ 13,622.38), CISCO Cost Share - \$ 20,000.00, Drainage Ditch – (\$ 28,899.97), Buffer - \$10,000.00, Initiative Foundation - \$ 222.48 and Local Capacity - \$ 67,915.00. For a total of \$ 88,543.66.

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 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, 2016, the District’s deposits were not exposed to custodial credit risk.

At December 31, 2016 the District’s deposits totaled **\$ 169,934.80** of which **\$ 116,280.66** was cash deposits and **\$ 53,654.14**

**CASS SOIL AND WATER CONSERVATION DISTRICT
YEAR END DECEMBER 31, 2016**

BREAKDOWN OF COUNTY REVENUE

Annual Allocation	<u>3,200.00</u>
Reimbursed Expenses (FOR AIS)	<u>497,141.12</u>
Waterplan Money	<u> </u>
Wetland Money	<u> </u>
TOTAL	<u>500,341.12</u>

All SWCD “employees” are actually Cass County employees. Our office is in the Cass County Courthouse and the district pays no rent or phone. We have no “no cash” support to show.

UNEARNED REVENUE BREAKDOWN

Balance of BWSR Service Grants	<u>17,544.79</u>
Balance of unencumbered BWSR cost share grants	<u>7,454.35</u>
Balance of other funds being deferred	
Wild Rice	<u>7,929.39</u>
Cisco Forest	<u>(13,622.38)</u>
Cisco Cost Share	<u>20,000.00</u>
Drainage Ditch	<u>(28,899.97)</u>
Buffer	<u>10,000.00</u>
Initiative Foundation	<u>222.48</u>
Local Capacity	<u>67,915.00</u>
TOTAL of Unearned Revenue	<u>88,543.66</u>

Cost Share Contracts

FY2016

CS179(16)	\$2,788.00
CS167(16)	\$1,500.00
CS178(16)	\$ 250.00

FY2017

CS181(17)	\$2,500.00
CS183(17)	\$ 416.35