

**YELLOW MEDICINE  
SOIL AND WATER  
CONSERVATION  
DISTRICT**

**2012 ANNUAL  
FINANCIAL REPORT**



**[2012]**

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2012  
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**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

The Yellow Medicine Soil and Water Conservation District's (SWCD) discussion and analysis provides an overview of the SWCD'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 SWCD's financial statements and Notes to the Financial Statements following this section.

**FINANCIAL HIGHLIGHTS**

- The SWCD's fund balance on the Governmental Revenues, Expenditures and Changes in Fund Balance increased due to the revenues exceeding the expenditures.
- The Statement of Net Assets and Governmental Fund Balance Sheet reflect the designed fund balance for specific designated items deemed by the SWCD.

**USING THIS ANNUAL REPORT**

This annual report consists of four main topics: 1) The Management's Discussion and Analysis (MDA); 2) Financial Statements; 3) Reconciliation Statements and 4) Notes to the Financial Statement. These topics are further explained as follows:

- Management's Discussion and Analysis (MDA-this section). This section relates mostly to the changes in the SWCD's finances and explains the Governmental Wide-Financial Statements in detail. The MDA is on pages 1-6;
- Financial Statements – pages 7-12  
The Governmental Wide-Financial Statements include a series of financial statements that provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

The Fund Financial Statements report the Breakdown of County Revenue and the Deferred Revenue Breakdown of the SWCD.

- Reconciliation Statements  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the differences in these two statements.

- 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) Detail Notes on All Funds; 4) Other Information. The Notes to the Financial Statement are on pages 13-23.

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

**STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

Our analysis of the Yellow Medicine Soil and Water Conservation District as a whole begins with page 7. One of the most important questions asked about the SWCD's finances is, "Is the SWCD 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 SWCD 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 SWCD's net assets and changes in them. You can think of the SWCD's net assets - the difference between assets and liabilities - as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD'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 SWCD.

In the Statement of Net Assets and the Statement of Activities, the SWCD presents Governmental activities. All of the SWCD's basic services are reported here. Appropriations from the county and the state help to finance the SWCD's activities.

**REPORTING THE SWCD'S GENERAL FUND:**

**Fund Financial Statements**

The Yellow Medicine Soil and Water Conservation District 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 Activities and the Statement of Net Assets) and governmental funds through the reconciliation of these statements, which are on page 12 (after the Fund Financial Statements). The financial reports can be found on pages 7 through 12 of this report.

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

**THE SWCD AS A WHOLE – GOVERNMENTAL ACTIVITIES**

**Statement of Net Assets and Governmental Fund Balance**

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

**Table 1**

**Statement of Net Assets**

<u>Governmental Activities</u>	<u>Balance Dec 31, 2012</u>	<u>Balance Dec 31, 2011</u>
Current Assets	\$331,162.07	\$289,159
Capital Assets Net of Depreciation	<u>\$ 38,499.90</u>	<u>\$ 40,761</u>
<b>Total Assets</b>	<b><u>\$369,661.97</u></b>	<b><u>\$329,920</u></b>
Current Liabilities	\$ 77,411.19	\$ 48,860
Long-term Liabilities	<u>\$ 31,427.77</u>	<u>\$ 27,556</u>
<b>Total Liabilities</b>	<b><u>\$108,838.96</u></b>	<b><u>\$ 76,416</u></b>
Net Assets:		
Invested in Capital Assets net of debt	\$ 38,499.90	\$ 40,761
Net Assets-Restricted	\$174,896.53	\$151,488
Net Assets-Unrestricted	<u>\$ 47,426.58</u>	<u>\$ 61,255</u>
<b>Total Net Assets</b>	<b><u>\$260,823.01</u></b>	<b><u>\$253,504</u></b>

The total assets for the SWCD's governmental activities increased by approximately 12 percent from \$369,661.97 in 2012 compared to \$329,920 in 2011. 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 are \$47,426.58.

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

**Statement of Activities and Changes in Net Assets**

Table 2 reflects changes in Governmental activities of the SWCD. It also reflects some of the actual SWCD's Charges for Services changes from 2011 to 2012.

**Table 2**

<u>Condensed Statement of Activities</u>	<u>Balance Dec 31, 2012</u>	<u>Balance Dec 31, 2011</u>
Revenue		
Program Revenues		
Charges for Services	\$ 75,374.10	\$ 34,141
Operating Grants and Contributions	\$234,670.87	\$248,478
General Revenues:		
Miscellaneous Interest	\$ 1,200.10	\$ 1,875
Other Miscellaneous Revenue	\$ 6,935.93	\$ 1,062
Total Revenues	<b><u>\$318,181.00</u></b>	<b><u>\$285,556</u></b>
 Expenditures		
Conservation	<u>\$310,861.82</u>	<u>\$273,855</u>
Total Expenditures	<b><u>\$310,861.82</u></b>	<b><u>\$273,885</u></b>
 <b>Change in Net Assets</b>	<b><u>\$ (7,319.18)</u></b>	<b><u>\$ 11,671</u></b>

Changes in revenues/expenditures from previous year included:

- Charges for Services increased due to an increase in tree and tree mat sales.
- County funds increased by approximately 4%.
- Federal funds decreased by 46%.
- State grants received from BWSR were reduced in 2012. However, the SWCD received a Clean Water Fund Grant which increased the overall State grants by approximately 1%.
- Interest showed a decreased from last year due to a decrease in interest rates.
- Expenditures increased due to an increase in the trees and trees mat purchased.

**THE SWCD'S FUNDS**

As the SWCD completed the year, its general fund, as presented in the Governmental Fund Balance Sheet on page 8, reported a total fund balance of \$253,750.88 is \$13,452.38 above last year's total of \$240,298.50.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The SWCD made a revision to their budget in September of 2012. The Budgetary Comparison Schedule is found on page 9. In order to purchase mats at a reduced rate, four SWCDs went together to order mats and it was billed to the Yellow Medicine SWCD. The SWCD then in turn billed the other SWCDs and when payment was received it was recorded as a reimbursement to the expenditure account. The SWCD also adjusted the tree mat expense account to show the carryover of tree mats which will be utilized in 2013. We increased the vehicle maintenance and repair expenditure account due to breakdown of pickup and van. We increased charges for services and district expenditures due to an increase in the participation in the tree and tree mat programs. The SWCD received a dividend of \$5,023.00 from the Minnesota Counties Intergovernmental Trust (MCIT) which we didn't anticipate.

Even with these adjustments, the actual charges to expenditures were below the final budgeted amounts. Revenues were also above the final budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

In 2012 the Yellow Medicine Soil and Water Conservation District used the following schedules:

- Guide to Capital Assets
- Schedule of General Capital Assets and Changes for 2012
- Summary of Changes in Capital Assets

The SWCD changed their capital asset threshold from \$1,000 to \$5,000 as of January 1, 2011. The Schedules of General Capital Assets and the Summary of Changes in General Capital Assets consists of capital assets over the threshold of \$1000 for assets purchased prior to January 1, 2011 and capital assets over the threshold of \$5,000 for assets purchased after December 31, 2010. At the end of 2012 the SWCD had \$145,723.86 invested in a broad range of capital assets, including Buildings, Land, Vehicles, Equipment and Machinery. One computer totaling \$1,615.00 were disposed of in 2012

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Table 3**  
**Capital Assets at Year-end**  
(Net of Depreciation)

<u>Governmental Activities</u>	<u>Balance</u>	<u>Balance</u>
Assets	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Land \$	\$ 4,689.45	\$ 4,689.45
Building	\$ 51,626.50	\$ 51,626.50
Vehicles	\$ 44,945.00	\$ 44,945.00
Equipment/Machinery	<u>\$ 44,472.91</u>	<u>\$ 46,087.91</u>
<b>Total Assets</b>	<b><u>\$145,733.86</u></b>	<b><u>\$147,348.86</u></b>
(Net of Depreciation)	\$ 38,499.90	\$ 40,761.03

This year the SWCD did not purchase any capital assets at the \$5,000 threshold. The SWCD did dispose of one old computer and took it off the capital asset depreciation list.

**LONG-TERM LIABILITIES**

Long-term liability obligations include accrued vacation and sick leave for which employees are paid upon termination from the SWCD. Detailed information about the SWCD's long-term liabilities is presented in the Notes to the Financial Statement.

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

The SWCD's elected officials considered many factors when setting the fiscal-year 2013 budget. Some of the economic factors taken into account for the 2013 budget included: sales of trees and tree matting, state funding, federal funding and the county allocation. Expense factors included expenses and employee salary increases.

**CONTACTING THE SWCD'S FINANCIAL MANAGEMENT**

This financial report was designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Yellow Medicine Soil and Water Conservation District, P.O. Box 545, 1000 10<sup>th</sup> Avenue Suite 3, Clarkfield, Minnesota 56223 or call 320-669-4442 Ext. 3.



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

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA**

**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	\$72,511.55		\$72,511.55
Investments	\$245,920.63		\$245,920.63
Accounts receivable	\$0.00		\$0.00
Interest Receivable	\$407.00		\$407.00
Due from other governments	\$7,890.17		\$7,890.17
Tree Mat Inventory	\$4,432.72		\$4,432.72
Capital Assets:	\$0.00		\$0.00
Non-depreciable		\$4,689.45	\$4,689.45
Depreciable	\$0.00	\$33,810.45	\$33,810.45
<b>Total Assets</b>	<b><u>\$331,162.07</u></b>	<b><u>\$38,499.90</u></b>	<b><u>\$369,661.97</u></b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$0.00		\$0.00
Salaries payable	\$0.00		\$0.00
Deferred revenue	\$77,411.19		\$77,411.19
Long-term liabilities:			\$0.00
Due within one year		\$31,427.77	\$31,427.77
Due after one year		\$0.00	\$0.00
<b>Total Liabilities</b>	<b><u>\$77,411.19</u></b>	<b><u>\$31,427.77</u></b>	<b><u>\$108,838.96</u></b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$4,432.72	(\$4,432.72)	\$0.00
Unrestricted			
Committed or Assigned	\$174,896.53	(\$174,896.53)	\$0.00
Unassigned	\$74,421.63	(\$74,421.63)	\$0.00
<b>Total Fund Balance</b>	<b><u>\$253,750.88</u></b>	<b><u>(\$253,750.88)</u></b>	<b><u>\$0.00</u></b>
Net Assets			
Invested in capital assets		\$33,810.45	\$33,810.45
Unassigned		\$227,012.56	\$227,012.56
<b>Total Net Assets</b>		<b><u>\$260,823.01</u></b>	<b><u>\$260,823.01</u></b>

Notes are an integral part of the basic financial statements.

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

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA**

**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	\$234,670.87	\$0.00	\$234,670.87
Charges for services	\$75,374.10	\$0.00	\$75,374.10
Investment earnings	\$1,200.10	\$0.00	\$1,200.10
Miscellaneous	\$6,935.93	\$0.00	\$6,935.93
<b>Total Revenues</b>	<b><u>\$318,181.00</u></b>	<b><u>\$0.00</u></b>	<b><u>\$318,181.00</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$304,728.62	\$6,133.20	\$310,861.82
Capital outlay	\$0.00	\$0.00	\$0.00
<b>Total Expenditures/Expenses</b>	<b><u>\$304,728.62</u></b>	<b><u>\$6,133.20</u></b>	<b><u>\$310,861.82</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$13,452.38</b>	<b>-\$6,133.20</b>	<b>\$7,319.18</b>
<b>Fund Balance/Net Assets January 1</b>	<b><u>\$240,298.50</u></b>	<b><u>\$13,205.33</u></b>	<b><u>\$253,503.83</u></b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$253,750.88</u></u></b>	<b><u><u>\$7,072.13</u></u></b>	<b><u><u>\$260,823.01</u></u></b>

Notes are an integral part of the basic financial statements.

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

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
CLARKFIELD, MINNESOTA**

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

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$103,999.00	\$103,999.00	\$106,185.45	\$2,186.45
Local	\$2,040.00	\$2,040.00	\$2,090.37	\$50.37
Federal	\$19,170.00	\$19,170.00	\$25,250.00	\$6,080.00
State grant	\$114,870.75	\$114,870.75	\$101,145.05	-\$13,725.70
<b>Total intergovernmental</b>	<b>\$240,079.75</b>	<b>\$240,079.75</b>	<b>\$234,670.87</b>	<b>-\$5,408.88</b>
<b>Charges for services</b>	<b>\$55,423.00</b>	<b>\$74,219.00</b>	<b>\$75,374.10</b>	<b>\$1,155.10</b>
<b>Miscellaneous</b>				
Interest earnings	\$1,500.00	\$1,500.00	\$1,200.10	-\$299.90
Other	\$550.00	\$550.00	\$6,935.93	\$6,385.93
<b>Total miscellaneous</b>	<b>\$2,050.00</b>	<b>\$2,050.00</b>	<b>\$8,136.03</b>	<b>\$6,086.03</b>
<b>Total Revenues</b>	<b>\$297,552.75</b>	<b>\$316,348.75</b>	<b>\$318,181.00</b>	<b>\$1,832.25</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$203,380.00	\$203,380.00	\$203,920.66	-\$540.66
Other services and charges	\$28,520.00	\$28,983.00	\$31,931.04	-\$2,948.04
Supplies	\$6,250.00	\$6,250.00	\$5,562.19	\$687.81
Capital outlay	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total district operations</b>	<b>\$238,150.00</b>	<b>\$238,613.00</b>	<b>\$241,413.89</b>	<b>-\$2,800.89</b>
<b>Project expenditures</b>				
District	\$22,484.00	\$29,577.00	\$29,805.73	-\$228.73
State	\$51,798.00	\$51,798.00	\$33,509.00	\$18,289.00
<b>Total project expenditures</b>	<b>\$74,282.00</b>	<b>\$81,375.00</b>	<b>\$63,314.73</b>	<b>\$18,060.27</b>
<b>Total Expenditures</b>	<b>\$312,432.00</b>	<b>\$319,988.00</b>	<b>\$304,728.62</b>	<b>\$15,259.38</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>-\$14,879.25</b>	<b>-\$3,639.25</b>	<b>\$13,452.38</b>	<b>\$17,091.63</b>
<b>Fund Balance - January 1</b>	<b>\$240,298.50</b>	<b>\$240,298.50</b>	<b>\$240,298.50</b>	<b>\$0.00</b>
<b>Fund Balance - December 31</b>	<b>\$240,298.50</b>	<b>\$240,298.50</b>	<b>\$253,750.88</b>	<b>\$17,091.63</b>

Notes are an integral part of the basic financial statements.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
BREAKDOWN OF COUNTY REVENUE  
2012**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 95,221.00
WATER PLAN MONEY	\$ <u>      </u> .00
WETLAND MONEY	\$ <u>10,964.45</u>
FEEDLOT MONEY	\$ <u>      </u> .00
ABANDONED WELL	\$ <u>      </u> .00
DNR SHORELAND	\$ <u>      </u> .00
OTHER (specify)	\$ <u>      </u> .00
 TOTAL	 <u>\$106,185.45</u>

\*\*Wetland Money:

FY2012 grant's dollars carried = \$2,187.45

FY2013 grant = \$8,777.00

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.

Yellow Medicine County owns the building that the Yellow Medicine SWCD is located in. Therefore, the SWCD does not pay any rent.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
DEFERRED REVENUE BREAKDOWN  
2012**

Balance of BWSR Delivery Grant: \$ 9,842.27  
 Balance of BWSR Easement Delivery Grant \$ 8,349.87

Balance of unencumbered BWSR Cost-Share Grants: fiscal year 2013 \$ 9,820.50  
fiscal year 2012 \$ .00

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

FY	Contract No.	Contract Amount	T & A Encumbered
2012	2012-04	979.00	244.75
2012	2012-22	2097.00	144.75
2013	2013-01	4323.00	1080.75
2013	2013-02	1090.00	272.50
2013	2013-03	759.00	189.75
2013	2013-04	401.00	100.25
2013	2013-05	752.00	188.00
2013	2013-06	759.00	189.75
2013	2013-07	455.00	113.75
2013	2013-08	964.00	241.00
2013	2013-14	383.00	95.75
Total of all Cost-Share Encumbrances			<u>\$15,823.00</u>

Balance of County WCA Funds: \$ 6,590.55  
 Balance of 2012 CWF Drainage: \$ 1,916.50  
 Balance of 2013 CWF Target Drainage \$25,068.50  
 Balance of other funds being deferred (list if any):

Subtotal of other funds: \$ .00

**TOTAL OF ALL DEFERRED REVENUE: \$77,411.19**

**\*Note contract 2013-09 through 2013-13 were not returned with signatures as of 12/31/2012**

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2012**

Net changes in fund balances-total Governmental Funds \$13,452.38

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds. (\$2,261.13)

Compensated Absences is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued leave is not reported as expenditure in the government funds. (\$3,872.07)

**Change in net assets of government activities** \$7,319.18

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
December 31, 2012**

Total Fund Balance – Total Governmental Funds \$253,750.88

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets (net of depreciation) used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet. \$ 38,499.90

Deferred revenue in governmental funds is susceptible to full accrual on the government wide statements. Accrued absences do not require current financial resources. Therefore they are not reported as a liability in governmental funds balance sheet. (\$31,427.77)

**Net Assets of Governmental Activities** \$260,823.01

See notes to basic financial statements

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Yellow Medicine Soil and Water Conservation District's (SWCD) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 20 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by the SWCD is discussed below.

**A. REPORTING ENTITY**

The Yellow Medicine SWCD is organized under the provisions of MN Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the SWCD and elected to four-year terms by the voters of the County.

The purpose of the SWCD 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 habitat.

The Yellow Medicine 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 SWCD 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 SWCD's objectives.

The SWCD is not considered a part of Yellow Medicine County because, even though the county provides a significant amount of the SWCD's revenue in the form of an appropriation, it does not retain any control over the operations of the SWCD.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principals the SWCD does not have any component units.

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

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the SWCD. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (of which, the SWCD has none).

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or identifiable activity.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) 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 (typically 60 days) to pay liabilities of the current period. Revenues subject to accrual are interest on investments and intergovernmental revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. The SWCD also received an annual appropriation from the county which is recognized as revenue when received, unless it is prior to the period to which it applies. In that case, revenue is deferred until the appropriate period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



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

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION**

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The funds of the financial reporting entity are described.

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the SWCD and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict or contradict guidance of the GASB.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the SWCD's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Deposits and Investments**

For the purposes of the statement of cash flows, the SWCD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are carried at fair value, based on quoted market price at the reporting date. Investments as of December 31, 2012 are \$0

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

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Inventories**

Inventory is valued at lower; of cost or market using the first-in, first-out method. The cost of other consumable materials and supplies on hand are material to the financial statements and the SWCD has therefore chosen to report these items as inventory this year. As of December 31, 212 inventory is \$4,432.72.

**Prepays**

There were no prepaids as of December 31, 2012.

**Capital Assets**

Capital assets are defined by the SWCD as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets and intangible assets are reported in the application governmental column of the government-wide financial statements.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the SWCD as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net assets.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

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

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

Land	Not Depreciated
Buildings	10 – 50 Years
Improvements	15 – 50 Years
Machinery and Equipment	3 – 20 Years

- **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. There was no long term debt as of December 31, 2012

**Vacation and Sick Leave and Compensated Absence**

Annual Leave: Will be granted to all regular employees on the basis of length of service. Annual leave is earned per month in the following manner:

0 - 5 years	8 hours per month - January through November 16 hours for December
6 - 15 years	13 hours per month - January through November 17 hours for December
16 plus years	17 hours per month - January through November 21 hours for December

Unused annual leave may be accumulated for use in succeeding years. The maximum number of annual leave hours an employee may carry over into the New Year (January) is 240 hours. Annual leave in excess of the limitation by the end of the year will be lost, unless the board makes an exception for special reasons. Annual leave is charged in units of one half or more hours. As an employee, you are expected to plan your vacations as far in advance as possible. If an employee wishes to take more than two weeks straight of annual leave, then he or she must have board approval prior to taking the vacation. Probationary employees will earn annual leave, but use will be restricted until the end of the probationary period. Annual leave will be pro-rated for regular part-time employees.

Sick Leave: Will be granted to all regular employees. Sick leave will be accumulated at the rate of eight (8) hours per month, except December in which sixteen (16) hours are earned. Sick leave will be pro-rated for regular part-time employees. There will be no limit on the accumulation of sick leave.

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

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Vacation and Sick Leave and Compensated Absence (Continued)**

Severance Pay Upon Termination or Resignation

All employees upon leaving employment in good standing, prior to the normal retirement date or whose employment is terminated shall be entitled to severance pay. Severance pay shall include the payment of accumulated vacation leave at the current rate of wage at separation not to exceed an amount as follows:

Less than 1 year	=	Not eligible
Completion of 1 year	=	80 hours
Completion of 2 years	=	160 hours
Completion of 3 years or more	=	240 hours

Severance Pay Upon Retirement

All employees upon leaving employment in good standing on or subsequent to the normal retirement date shall be entitled to severance pay. The normal retirement date is defined under PERA and/or Social Security and to be eligible the employee must have a minimum of 10 years of continued years of service for the district. Severance pay shall include the payment of accumulated vacation leave, accumulated sick leave or a combination thereof at the current rate of wage at separation not to exceed 800 hours. Severance pay shall be paid in a manner mutually agreeable to the employee and employer over a period not to exceed five years from retirement or termination of employment. In the event that a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, that balance due shall be paid to a named beneficiary or, lacking same, to the deceased estate. Severance pay may be paid into the employee's VEBA Account.

**Compensated Absences Payable**

Changes in compensated absences payable for the year ended December 31, 2012 are:

Balance January 1, 2012	\$27,555.70
Net changes in compensated absences	<u>\$3,872.07</u>
Balance December 31, 2012	\$31,427.77

**Fund Balance Classifications**

Beginning with the year ending December 31, 2011, the SWCD implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Fund Balance Classifications (Continued)**

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the SWCD Board. To be reported as committed, amounts cannot be used for any other purpose unless the SWCD Board removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance - consists of amounts intended to be used by the SWCD for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- Unassigned fund balance - consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

The SWCD uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the SWCD would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The SWCD has formally adopted a fund balance policy for the General Fund. The District's policy is to maintain a minimum unassigned fund balance between the ranges of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2012, the unassigned fund balance of the General Fund was 30% of the subsequent year's budgeted expenditures.

**Net Assets Classifications**

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

**Net Assets Classifications (Continued)**

- Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- Restricted net assets- Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. COMPARATIVE DATA/RECLASSIFICATIONS**

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The prior year fund balance information in the governmental fund financial statements has been reclassified to be in conformity with the presentation required by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

**Budgets**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by the SWCD for the General Fund.

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION (Continued)**

**Encumbrances**

The SWCD does not utilize encumbrance accounting.

**B. FUND BALANCE CLASSIFICATION**

At December 31, 2012, a summary of the governmental fund balance classifications are as follows:

	General Fund
Nonspendable	\$ 4,432.72
Assigned	\$174,896.53
Unassigned	<u>\$ 74,421.63</u>
Total Fund Balance	\$253,750.88

**C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The General Fund did not have excess expenditures over appropriations as of December 31, 2012.

**D. DEBT RESTRICTIONS AND COVENANTS**

**General Obligation Debt**

Minnesota Statutes §475.53, subd. 3 limits the amount of outstanding general obligation bonded debt of the municipality. The SWCD does not have any debt at this time so complies with such laws.

**III. DETAIL NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS**

The SWCD maintains a pooled cash and investment portfolio that is used by substantially all SWCD funds using the pooled deposit and investment concept. This concept provides the SWCD with the ability to maximize earnings on idle monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the SWCD.

Investment income derived from the pooled funds is allocated to respective funds of the basis of applicable cash balance participation by each fund.

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

**III. DETAIL NOTES ON ALL FUNDS**

**A DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

In accordance with Minnesota Statutes, the SWCD maintains deposits at those depository banks authorized by the SWCD, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all SWCD deposits be insured, protected by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental 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 also 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. The SWCD does not have any deposit policies that would further limit deposit choices.

According to Minnesota Statutes, the aggregate of a municipality's interest bearing account, i.e., savings accounts, NOW accounts, and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of a municipality's non-interest bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the municipality's other deposits. This separate \$250,000 coverage for non-interest bearing accounts only applies if the depository is in the same state as the municipality.

*Custodial Credit Risk- Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the SWCD's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, cash equivalents, and certificates of deposit, had a bank balance of \$335,513.17 at December 31, 2012, that was fully insured by depository insurance or secured with collateral held by the SWCD's agent in its name. The carrying amount of these deposits at December 31, 2012 was \$318,432.18.



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

**III. DETAIL NOTES ON ALL FUNDS**

**A DEPOSITS AND INVESTMENTS (Continued)**

**Investment Policy**

The SWCD has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to deposit and investment of operating funds which are managed within the SWCD's pooled cash and investment portfolio. This policy sets for the SWCD's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide to proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the SWCD's investment program as set forth by the investment policy is preservation of capital and protection of investment principal. Investment decisions are made under the assumption that except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

Separate investment policies or agreements may exist to address proceeds from certain bond issuers or debt service funds in accordance with arbitrage rebate requirements.

The SWCD is authorized by Minnesota Statutes to invest idle funds as follows:

- a.) Direct obligations or obligations guaranteed by the United States or its agencies.
- b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c.) General obligations of the State of Minnesota or its municipalities.
- d.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- f.) Repurchase or reverse repurchase 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.
- g.) Money market funds with institutions that have portfolios consisting exclusively of United States treasury obligations and Federal Agency issues.
- h.) Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United States insurance company and with a credit quality in one of the top two highest categories.

The SWCD does not have any investment policies that would further limit investment choices.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**III. DETAIL NOTES ON ALL FUNDS**

**A DEPOSITS AND INVESTMENTS (Continued)**

**Investment Policy (Continued)**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the SWCD's investment policy the SWCD is required to mitigate its exposure to interest rate risk as follows:

- Purchasing a combination of shorter and longer term investments.
- Timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.
- Monitoring the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.
- Unless matched to a specific cash flow requirement, the SWCD will not directly invest in securities maturing more than five (5) years from the date of purchase.
- The average weighted maturity of the portfolio should not exceed three (3) years.
- Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with expected use of funds.

As of December 31, 2012, the SWCD had no investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the SWCD limits their investment options to those authorized by the State of Minnesota as described above.

Concentrations of Credit Risk

The risk of loss attributed to the magnitude of the SWCD's investment in a single issuer. The SWCD places no limit on the amount that may be invested in any one issuer. As of December 31, 2012 the SWCD has no investments.

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

**III. DETAIL NOTES ON ALL FUNDS**

**A DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk

For an investment, this is the risk that in the event of the failure of the counterparty, the SWCD will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2012, all investments were insured or registered or the securities were held by the SWCD or its agent in the SWCD's name.

The following table represents the District's cash balances as of December 31, 2012:

Cash/Investment Type	Average Maturities	% of Total	Fair Value
Checking Account	NA	5%	\$ 25,812.84
Savings Account	NA	15%	\$ 46,698.71
Certificates of Deposit	NA	80%	<u>\$245,920.63</u>
<b>Total Cash</b>			<b><u>\$318,432.18</u></b>

A reconciliation of cash and certificates of deposits as shown on the Statements of Net Assets at December 31, 2012:

Statement of Net Assets	
Current Assets:	
Cash	\$ 72,511.55
Certificate of Deposit	<u>\$245,920.63</u>
<b>Total</b>	<b><u>\$318,432.18</u></b>

**B. ACCOUNTS RECEIVABLE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**III. DETAIL NOTES ON ALL FUNDS**

**B. ACCOUNTS RECEIVABLE (Continued)**

**Deferred Revenue**

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources and Yellow Medicine County for various programs. Revenues will be recognized when the related program expenditures are recognized. Deferred revenue for the year ended December 31, 2012, consists of:

Easement Delivery Grant	\$ 8,349.87
BWSR Delivery Service Grants	\$ 9,842.27
BWSR Cost Share Grants (unencumbered)	\$ 9,820.50
BWSR Cost Share Grants (encumbered)	\$15,823.00
Wetland Conservation Act Funds	\$ 6,590.55
2012 CWF Drainage Grant	\$ 1,916.50
20123 CWF Target Drainage Grant	<u>\$25,068.50</u>
<b>Total Deferred Revenue</b>	<b><u>\$77,411.19</u></b>

**C. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2012 is as follows:

	Balance <u>1-1-12</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-12</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 4,689.45	\$ .00	\$ .00	\$ 4,689.45
Total Capital Assets Not Being Depreciated	<b>\$ 4,689.45</b>	<b>\$ .00</b>	<b>\$ .00</b>	<b>\$ 4,689.45</b>
Capital Assets Being Depreciated:				
Buildings	\$ 51,626.50	\$ .00	\$ .00	\$ 51,626.50
Machinery & Equipment	\$ 46,087.91	\$ .00	(\$1,615.00)	\$ 44,472.91
Vehicles	\$ 44,945.00	\$ .00	\$ .00	\$ 44,945.00
Total Capital Assets Being Depreciated	<b><u>\$142,659.41</u></b>	<b>\$ .00</b>	<b><u>(\$1,615.00)</u></b>	<b><u>\$141,044.41</u></b>
Total Capital Assets	<b><u>\$147,348.86</u></b>	<b><u>\$ .00</u></b>	<b><u>(\$1,615.00)</u></b>	<b><u>\$145,733.86</u></b>
Less Accumulated Depreciation for:				
Buildings	\$ 19,138.81	\$ 1,624.38	\$ .00	\$ 20,763.19
Machinery & Equipment	\$ 42,504.02	\$ 636.75	(\$1,615.00)	\$ 41,525.77
Vehicles	\$ 44,945.00	\$ .00	\$ .00	\$ 44,945.00
Total Accumulated Depreciation	<b>\$106,587.83</b>	<b>\$ 2,261.13</b>	<b>(\$1,615.00)</b>	<b>\$107,233.96</b>
Total Capital Assets Being Depreciated, Net	\$ 40,761.03			\$ 38,499.90

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

**III. DETAIL NOTES ON ALL FUNDS**

**D. ACCOUNTS PAYABLE:**

Payables in the general, major governmental funds are composed almost entirely of payable to vendors.

**E. LONG-TERM DEBT**

The SWCD has no long-term debt as of December 31, 2012.

**IV. OTHER INFORMATION**

**A. RISK MANAGEMENT**

The SWCD 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. The SWCD participates in the Minnesota Counties Intergovernmental Trust to provide its general liability and property coverage. The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for participating counties.

All counties in the Minnesota Counties Intergovernmental Trust are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to participating counties if a deficiency occurs. The Minnesota Counties Intergovernmental Trust is self-sustaining through member premiums and re-insures through commercial companies for excess claims. The SWCD is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

As of December 31, 2012, the SWCD did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The SWCD has not had any claims which exceeded its deductible during the past three years.

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

**IV. OTHER INFORMATION**

**B. COMMITMENTS AND CONTINGENCIES**

**Grant Program Involvement**

In the normal course of operations, the SWCD participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning authority, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as the result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**Litigation**

The SWCD is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the SWCD, the SWCD feels that the settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the SWCD.

**C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

The SWCD participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two-cost sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at [www.mnper.org](http://www.mnper.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026. The following disclosures are made in accordance with GASB Statement No. 27:

**1. Defined benefit Pension Plans - Statewide**

**Plan Description**

All full-time and certain part-time employees of the SWCD are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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**IV. OTHER INFORMATION**

**C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**1. Defined benefit Pension Plans - Statewide  
Plan Description - Continued**

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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**IV. OTHER INFORMATION**

**C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**1. Defined benefit Pension Plans - Statewide  
Plan Description - Continued**

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or call (651) 296-7460 or 1-800-652-9026.

**Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The SWCD makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011.

PECF members are required to contribute 5.83% of their annual covered salary. In 2011, the SWCD was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 14.4% for PEPFF members, and 8.75% for PECF members.

The SWCD's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$10,309, \$9,745, and \$8,724, respectively. The SWCD had no employees covered by the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2012, 2011 and 2010. The SWCD's contributions were equal to the contractually required contributions for each year as set by state statute.

Two board members of the SWCD are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401 (a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.



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**IV. OTHER INFORMATION**

**C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**1. Defined benefit Pension Plans – Statewide**

**Funding Policy - Continued**

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer.

Total contributions made by the District during fiscal year 2012 were

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$172.50	\$172.50	5.00%	5.00%	5.00%

**D. FEDERAL AIDS- SINGLE AUDIT ACT**

The SWCD expended less than \$500,000 of federal financial assistance and is exempt from the audit requirements of the Single Audit Act and all other federal audit requirements.

**E. SUBSEQUENT EVENTS**

As of May 29, 2012, there were no subsequent events that affected the financial statements.

**F. OPERATING LEASES**

The SWCD has a rental lease agreement for their tree storage building. The lease was written March 1<sup>st</sup>, 2001 and runs for 20 years. The rental fee is \$200.00 per year.

