

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The Waseca County Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the year ended December 31, 2013. 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.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$47,194 during the current year.

- Total net assets increased \$15,249 during the prior year.

- Total revenues decreased \$129,753 compared to prior year.

- Total expenditures decreased \$161,698 compared to prior year.

USING THIS ANNUAL REPORT

This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements, and required supplementary information. 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. Some governmental agencies report fund financial statements that 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 most financially significant funds. Since soil and water conservation districts are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Waseca County Soil and Water Conservation District has elected to present in this format.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of "The District as a Whole" begins on page 2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Reporting the District as a Whole (Continued)

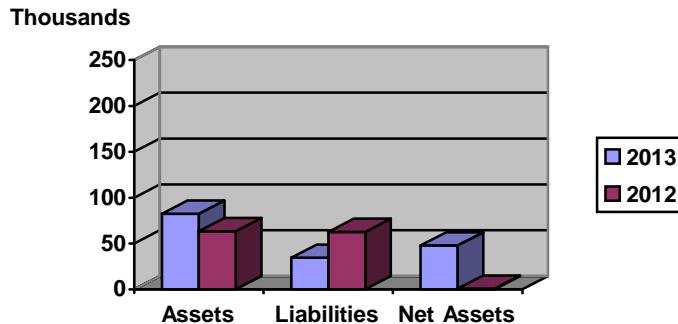
These two statements report the District's net assets and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the overall health of the District.

THE DISTRICT AS A WHOLE

The District's total net position (fund balance) changed from a year ago, increasing from \$702 to \$47,896. Our analysis below focuses on the net assets (table 1) and changes in net assets (table 2) of the District's activities.

Table 1
Net Assets

	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$71,252	\$48,091
Capital assets	11,206	15,281
Total Assets	82,458	63,372
Liabilities:		
Other liabilities	34,562	43,450
Deferred revenue	0	19,220
Total Liabilities	34,562	62,670
Net Position (Fund Balance):		
Invested in capital assets	11,206	15,281
Unrestricted (Unreserved – Designated)	36,690	-14,579
Total Net Assets (Fund Balance)	\$47,896	\$702



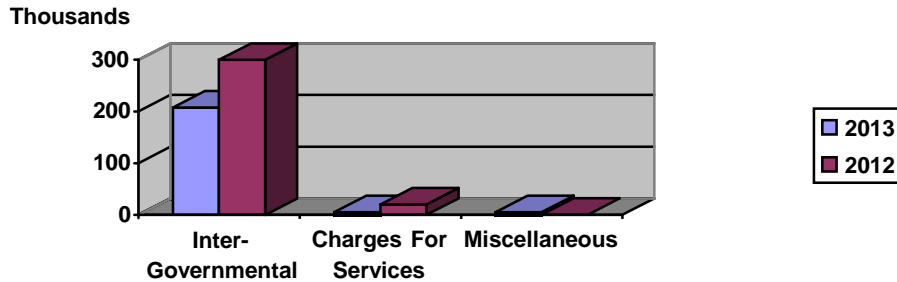
**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

THE DISTRICT AS A WHOLE (Continued)

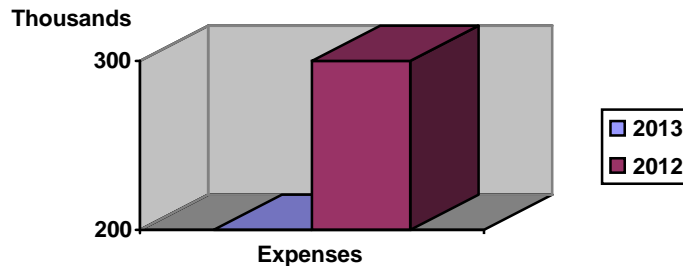
Table 2
Changes in Net Assets

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Program Revenues			
Intergovernmental	\$207,342	\$327,072	-\$119,730
Charges for services	5,194	20,291	-15,097
General Revenues			
Miscellaneous	5,435	361	5,074
Total Revenues	<u>217,971</u>	<u>347,724</u>	<u>-129,753</u>
Expenses:			
Conservation	<u>170,777</u>	<u>332,475</u>	<u>161,698</u>
Total Expenses	<u>170,777</u>	<u>332,475</u>	<u>161,698</u>
Excess Before Special Items	<u>47,194</u>	<u>15,249</u>	<u>31,945</u>
Special Items	-	-	-
Change In Net Assets	<u>47,194</u>	<u>15,249</u>	<u>31,945</u>
Total Net Assets (Fund Balance)	<u>\$47,896</u>	<u>\$702</u>	<u>\$47,194</u>

Revenues



Expenses



**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end, the District had \$11,206 invested in capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials and staff considered many factors when setting the 2014 budget. The District's board of directors is attempting to keep expenditures low due to the uncertainty of the County and State budget forecasts.

**CONTACTING THE WASECA COUNTY SOIL AND WATER CONSERVATION DISTRICT'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Waseca County SWCD at 105 22nd Avenue NE, Waseca, MN 56093.

WASECA SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AS OF DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$71,252		\$71,252
Accounts receivable	0		0
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		11,206	11,206
Total Assets	\$71,252	\$11,206	\$82,458
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$1,490		\$1,490
Salaries payable	29,322		29,322
Unearned revenue	0		0
Long-term liabilities:			
Due within one year		0	0
Due after one year		3,750	3,750
Total Liabilities	\$30,812	\$3,750	\$34,562
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	0	0	0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	40,440	(40,440)	0
Total Fund Balance	\$40,440	(\$40,440)	\$0
Net Assets			
Invested in capital assets		11,206	11,206
Unrestricted		36,690	36,690
Total Net Position		\$47,896	\$47,896

WASECA SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Net Assets
Revenues			
Intergovernmental	\$207,342	\$0	\$207,342
Charges for services	5,194	0	5,194
Investment earnings	79	0	79
Miscellaneous	<u>5,356</u>	<u>0</u>	<u>5,356</u>
Total Revenues	<u>217,971</u>	<u>0</u>	<u>217,971</u>
Expenditures			
Conservation			
Current	172,715	(1,938)	170,777
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>172,715</u>	<u>(1,938)</u>	<u>170,777</u>
Excess of Revenues Over (Under)			
Expenditures	45,256	1,938	47,194
Fund Balance/Net Position January 1	<u>(4,816)</u>	<u>5,518</u>	<u>702</u>
Fund Balance/Net Position December 31	<u>\$40,440</u>	<u>\$7,456</u>	<u>\$47,896</u>

WASECA SOIL AND WATER CONSERVATION DISTRICT
WASECA, MINNESOTA

BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$76,162	\$76,162	\$76,162	\$0
Other governments	98,925	98,925	102,262	3,337
State grant	50,521	50,521	28,918	(21,603)
Total intergovernmental	225,608	225,608	207,342	(18,266)
Charges for services	5,000	5,000	5,194	194
Miscellaneous				
Interest earnings	100	100	79	(21)
Other	0	0	5,356	5,356
Total miscellaneous	100	100	5,435	5,335
Total Revenues	\$230,708	\$230,708	\$217,971	(\$12,737)
Expenditures				
District operations				
Personnel services	\$134,391	\$134,391	\$143,565	(\$9,174)
Other services and charges	23,042	23,042	18,443	4,599
Supplies	400	400	0	400
Capital outlay	0	0	0	0
Total district operations	157,833	157,833	162,008	(4,175)
Project expenditures				
District	20,200	20,200	3,207	16,993
State	13,717	13,717	7,500	6,217
Total project expenditures	33,917	33,917	10,707	23,210
Total Expenditures	191,750	191,750	172,715	19,035
Excess of Revenues Over (Under)				
Expenditures	38,958	38,958	45,256	6,298
Fund Balance - January 1			(4,816)	(4,816)
Fund Balance - December 31	\$38,958	\$38,958	\$40,440	\$1,482

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waseca County Soil and Water Conservation District was organized under provision of Minnesota Statute 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by 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 Waseca County Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan, which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

Effective in reporting year 2004, the District must follow regulations set forth in Governmental Accounting Standards Board (GASB) Rule No. 34. Under the new regulations, the District must switch from reporting on a modified accrual basis to a regular accrual basis. This change affects the way certain items are reported such as capital assets. Capital assets will now be reported at cost, net of accumulated depreciation, rather than being expensed when incurred.

The financial reporting policies of the District conform to generally accepted accounting principles.

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

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

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL
STATEMENTS**

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- B. Government-Wide Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses one governmental fund, which is a general fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between governmental fund assets and liabilities is reported as net assets.

- D. Budget - 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 required supplementary information.

- E. Assets, Liabilities, and Equity Accounts

Assets

“Cash & Cash Equivalents” include amounts set aside in a money market account and two certificate of deposit accounts.

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL
STATEMENTS**

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

“Capital Assets” include property, plant, and equipment. Capital Assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are reported at historical cost, net of accumulated depreciation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset’s lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Furniture, equipment, and vehicles 5-year property

Liabilities

“Accrued Payroll Liabilities” includes the amount that is owed to employees for earned vacation and sick leave, but has not been used.

Equity

The account "Investment in Capital Assets" includes the District's equity in general fixed assets. Nonspendable fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending. Unrestrictive, committed or assigned account indicates the portion of fund equity that the District has set aside for planned future expenditures. Unrestricted, unassigned fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Revenues and Expenditures

Intergovernmental Revenues - Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is 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.

Miscellaneous Revenues – Miscellaneous revenues include interest income from the District’s money market account, certificate of deposit accounts, and other miscellaneous income such as finance fees, registration fees, etc.

Expenditures - Project expenditures represent costs, which are funded from federal, state, or district revenues. State project expenditures consist of grants to participants for the cost-share program, the streambank, lakeshore, and roadside program, and other state-authorized projects. District project expenditures consist of costs of materials and supplies in the sale of trees, tree planting and other district projects.

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL
STATEMENTS**

NOTE 2 DETAILED NOTES ON GENERAL FUND

- A. Unearned Revenues - Deferred revenue represents advances from the Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are incurred.

- B. Vacation and Sick Leave - Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from **4** to **8.5** hours per pay period. Sick leave accrual is **4** hours per pay period. The limit on the accumulation of annual leave is **280** hours and there is no limit on sick leave. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 80 hours of accrued sick leave. Upon termination of employment by illness or death, employees are paid accrued vacation and up to 80 hours of accrued sick leave.

Compensated Absences Payable – Changes in long-term debt for the period ended December 31, 2013 are:

Beginning Balance (January 1, 2013)	\$	9,763
Net Changes In Compensated Absences		-6,013
Ending Balance (December 31, 2013)	\$	3,750

NOTE 3 DEPOSITS AND INVESTMENTS

Minn. Stat. 118A.02 and 118A.04 authorizes the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

NOTE 4 CAPITAL ASSETS

Summary of changes in capital assets:

Beginning balance (January 1, 2013)	\$	15,281
Additions		-
Deletions		-
2013 Depreciation		-4,075
Ending balance (December 31, 2013)	\$	11,206

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 UNEARNED REVENUE

Unearned Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources for various programs. Revenues will be recognized when the related program expenditures are recorded. Total Unearned Revenue as of December 31, 2013 was \$0.

NOTE 6 PENSION PLANS

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). PERA provides retirement benefits as well as disability insurance to members and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minnesota Statutes 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, Saint Paul, Minnesota, 55103-1855.

B. Funding Policy

Plan members are required to contribute 6.25% for coordinated members of their covered salary and the District is required to contribute 7.25% of their covered salary. The contribution requirements of plan members and the District are established by State Statute. The district's contributions to PERA for the years ended December 31, 2013, 2012, and 2011 were \$5,509, \$7,042, and \$7,432, respectively, equal to 100% of the required contributions for each year.

NOTE 7 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 dental coverage; workers' compensation claims; and natural disasters. Property and casualty liabilities are insured under the policy of Waseca County Soil and Water Conservation District, a member of the Minnesota Counties Insurance Trust. Workers' compensation liability is insured through Minnesota Counties Insurance Trust. The District retains risk for the deductible portions of the insurance. The amounts of such deductibles are considered immaterial to the general-purpose financial statements.

The Minnesota Counties Insurance 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 increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

**WASECA COUNTY SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL
STATEMENTS**

NOTE 8 OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total cost for 2013 was \$7,980.