

**LINCOLN SOIL AND WATER  
CONSERVATION DISTRICT  
AUDITED FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**

# LINCOLN SOIL AND WATER CONSERVATION DISTRICT

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**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**

**SCHEDULE OF BOARD MEMBERS AND OFFICIALS**

DECEMBER 31, 2019

		<u>Term Expires</u>
Conrad Schardin	Chairman	12-31-22
John Boulton	Vice Chairman	12-31-20
Daniel Christianson	Treasurer	12-31-22
Glen Sorensen	Secretary	12-31-22
Ronald Bunjer	Public Relations	12-31-20
Dale Sterzinger	District Manager	Indefinite
Trent Johnson	Farm Bill Technician	Indefinite
Colleen Wichern	Administrative Assistant	Indefinite
Jacob Harrison	Conservation Technician	Indefinite

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INDEPENDENT AUDITOR'S REPORT

Lincoln Soil & Water Conservation District  
200 S Co. Hwy. 5, Suite 2  
Ivanhoe, MN 56142

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Lincoln Soil and Water Conservation District, Ivanhoe, Minnesota, as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, the general fund, of the Lincoln Soil and Water Conservation District, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the Schedule of District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions on pages 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Soil and Water Conservation District's basic financial statements. The introductory section and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2020, on our consideration of the Lincoln Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Danielle L. Berg, Ltd.  
Certified Public Accountant

October 21, 2020

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

This section of the annual financial report of the Lincoln Soil and Water Conservation District presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The fund balance of the District increased primarily due to actual expenditures for projects coming in well below budget. This was primarily due to extreme wet conditions throughout the service area preventing the commencement and/or completion of projects.
- Overall, the SWCD had also had a decrease in total expenses as compared to the prior year.

**USING THIS ANNUAL REPORT**

This annual report consists of five main topics: 1) Management's Discussion and Analysis (MDA); 2) Financial Statements; 3) Reconciliation Statements; 4) Notes to the Financial Statement; and 5) Required Supplementary Information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities, found on pages 10 and 12, provide information about the activities of the Soil and Water Conservation District (SWCD) as a whole and present a longer-term view of the District'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. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Since the SWCD's are single-purpose, special-purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Lincoln SWCD has elected to present in this format.

Reconciliation Statements – pages 11 and 13:

- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the differences in these two statements. The Statement of Net Position under the "Adjustments" column shows the differences in the two statements.
- Reconciliation of the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances explains the differences in the two statements. The Statement of Activities under the "Adjustments" column shows the differences in the 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) Deposits and Investments; 4) Changes in General Fixed Assets; 5) Unearned Revenue; 6) Compensated Absences Payable; 7) Risk Management; 8) Pension Plan; 9) Operating Leases; and 10) Subsequent Events. The Notes to the Financial Statement are on pages 14 – 25.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

Required Supplementary Information, found on pages 26 through 29, includes the Budgetary Comparison Schedule, Notes to Required Supplementary Information, Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of District's Contributions (PERA).

**Statement of Net Position and Statement of Activities**

The analysis of the Lincoln SWCD as a whole begins on page 4. 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 the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. One can think of the SWCD's net position - the difference between total assets and deferred outflows of resources as compared to liabilities and deferred inflows of resources - as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors to assess the overall health of the SWCD.

In the Statement of Net Position 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 state also finance activities.

**Reporting the SWCD's General Fund**

**Fund Financial Statements**

The analysis of the SWCD's general fund begins on page 6. The fund financial statements provide detailed information about the general fund. The SWCD presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**THE SWCD AS A WHOLE**

**Statement of Net Position**

The SWCD's combined assets and deferred outflows of resources decreased from \$1,410,827 to \$1,390,237 primarily due to the decrease in deferred outflows of resources related to PERA. As of December 31, 2019, liabilities of the district consist primarily of unearned revenue of \$177,838 and accounts payable of \$20,000. The accounts payable amount of \$20,000 represents project funds to be returned to the grantor as approved by the board. The analysis below focuses on the net position (Table 1) of the District's governmental activities.

**Table 1**

Statement of Net Position	Governmental Activities	
	<u>Dec 31, 2019</u>	<u>Dec. 31, 2018</u>
Current Assets	\$1,194,482	\$1,181,856
Capital Assets Net of Depreciation	<u>172,372</u>	<u>183,324</u>
Total Assets	1,366,854	1,365,180
Deferred Outflows of Resources	<u>23,383</u>	<u>45,647</u>
Total Assets & Deferred Outflows of Resources	<u><b>\$1,390,237</b></u>	<u><b>\$1,410,827</b></u>
Current Liabilities	\$ 203,238	\$ 281,969
Long-Term Liabilities	<u>172,773</u>	<u>177,136</u>
Total Liabilities	376,011	459,105
Deferred Inflows of Resources	56,335	73,814
Net Position:		
Investment in Capital Assets	172,372	183,324
Restricted	0	0
Unrestricted	<u>785,519</u>	<u>694,584</u>
Total Net Position	<u><b>\$957,891</b></u>	<u><b>877,908</b></u>
Total Liabilities, Deferred Inflows & Net Position	<u><b>\$1,390,237</b></u>	<u><b>\$1,410,827</b></u>

Net Position of the SWCD's governmental activities increased by \$79,983 (\$957,891 compared to \$877,908). Unrestricted Net Position, the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, is \$785,519, an increase of \$90,935 from 2018. The restricted funds represent funds that have been recognized but are designated for a specific purpose by the donor. Currently, the District has no restricted funds.



**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**Statement of Activities**

Table 2 reflects changes in Governmental activities of the District.

**Table 2**

Changes in Net Position

	Governmental Activities	
	<u>Dec 31, 2019</u>	<u>Dec. 31, 2018</u>
Revenues		
<u>General:</u>		
County	\$178,544	\$170,019
State	229,636	210,433
Interest Earnings	9,490	2,593
<u>Program:</u>		
Miscellaneous	27,432	9,064
Charges for Services	<u>196,910</u>	<u>509,239</u>
Total Revenues	<b>\$ 642,012</b>	<b>\$901,348</b>
Expenses		
General Government	\$390,058	\$323,535
Conservation	130,741	399,420
Depreciation	<u>43,950</u>	<u>17,449</u>
Total Expenses	<b><u>\$564,749</u></b>	<b><u>\$740,404</u></b>
Other Financing Sources (Uses)		
Sale of Capital Assets	<u>\$ 2,720</u>	<u>\$ 2,800</u>
Change in Net Position	<u>\$ 79,983</u>	<u>\$ 163,744</u>

The SWCD's total revenues decreased by \$259,336 from last year. The total expenses of all programs and services decreased, by \$175,655. Revenue changes reflect the following: The seed program revenues were \$273,495 higher in 2018 than in 2019. Tree Mats and Tree sales were also down in 2019. The new seed drill did not have the rentals that were expected, revenue on rentals was down significantly compared to the previous year. Additional County funds and the use of prior year deferred revenues helped to replace some of the lost income from charges for services.

**THE SWCD'S FUNDS**

As the SWCD completed the year, its general fund as presented in the balance sheet on page 10, reported a combined fund balance of \$991,244, which is an increase from last year's total of \$899,887.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The SWCD made no revisions to their budget during the year ended December 31, 2019. The Budgetary Comparison Schedule is found on page 26.

The actual revenues in excess of expenditures was \$88,637 compared to the budgeted amount of (\$1,074). The District also received funds from the sale of a pickup in the amount of \$2,720 adding to change in fund balance for a total of \$91,357. Total revenues were \$17,341 less than the budget and expenditures were \$107,052 less than the budgeted amount. No revenues from sales of assets were budgeted for 2019.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Note II.A. in the Notes to the Financial Statements reports capital asset additions, deletions, and balances for assets over the District threshold of \$5,000. At the end of 2019, the District had \$172,372 invested in a broad range of capital assets, including Land/Land Improvement, Buildings, Vehicles, Equipment and Machinery (Table 3). This amount has decreased from the previous year due to depreciation of \$43,950 which was partially off-set by the addition of a no-till drill at a cost of \$33,000. The District also sold a pick with an original cost of \$23,693 which was fully depreciated resulting in no additional net change in capital assets.

**Table 3**

Capital Assets at Year-end  
(Net of Depreciation)

<u>Capital Assets</u>	Governmental Activities	
	<u>Dec 31, 2019</u>	<u>Dec. 31, 2018</u>
Land/Land Improvements	\$ 11,768	\$ 11,768
Buildings/Construction	67,053	67,053
Vehicles	126,777	150,470
Equipment/Machinery	<u>173,259</u>	<u>140,259</u>
Total Capital Assets	<u>\$378,857</u>	<u>\$369,550</u>
(Net of Depreciation)	<u>\$172,372</u>	<u>\$183,322</u>

**Long-Term Liabilities**

Long-term liability obligations include accrued vacation pay and in some instances a portion of accrued sick leave for which employees are paid upon termination from the District by retirement, illness or death, and net pension liability related to PERA. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statement under Section I. Summary of Significant Accounting Policies- F (2), *Vacation and Sick Leave* on page 16 and *Pensions* on page 17 ; and under II (C) *Compensated Absences* on page 19 and under III. *Pension Plans*.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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

The District's elected officials considered many factors when setting the fiscal-year 2020 budget. Some of the economic factors taken into account for the 2020 budget include: charges for services, State funding, Federal funding, Local Capacity funding, Clean Water Funding, and County allocation. Expense factors will include expenses related to charges for services, Clean Water Funding expenditures for projects and Local Capacity expenditures.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lincoln Soil and Water Conservation District 200 S Co. Hwy. 5, Suite 2, Ivanhoe, MN 56142 or call 507-694-1630, Ext. 3. Visit the website [www.lincolnswcd.net](http://www.lincolnswcd.net)

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**For the Year Ended December 31, 2019**

	<u>General Fund</u>	<u>Adjustments See Reconciliation</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
<b>Cash</b>			
Checking Accounts	\$ 515,957		\$ 515,957
Treasury Savings Account	511,246		511,246
Certificates of Deposit	101,610		101,610
<b>Total Cash</b>	<u>1,128,813</u>		<u>1,128,813</u>
Accounts Receivable	3,922		3,922
Inventory	12,978		12,978
Prepaid Items	4,798		4,798
Due from other Governments	43,971		43,971
Capital Assets, Net of Accumulated Depreciation		172,372	172,372
<b>Total Assets</b>	<u>1,194,482</u>	<u>172,372</u>	<u>1,366,854</u>
<b>Deferred Outflows of Resources:</b>			
Differences and Changes in Pension Liabilities	-	23,383	23,383
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>23,383</u>	<u>23,383</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 1,194,482</u>	<u>\$ 195,755</u>	<u>\$ 1,390,237</u>
<b>Liabilities</b>			
Sales Tax Payable	\$ 228	-	\$ 228
Accounts Payable	20,000		20,000
Accrued Salaries Payable	2,225		2,225
Flexible Spending Account	16		16
Deposits on Sales	2,931		2,931
Unearned Revenue	177,838		177,838
Compensated Absences	-	17,967	17,967
Net Pension Liability	-	154,806	154,806
<b>Total Liabilities</b>	<u>203,238</u>	<u>172,773</u>	<u>376,011</u>
<b>Deferred Inflows of Resources:</b>			
Difference and Changes in Pension Liabilities and Expenses	-	56,335	56,335
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>56,335</u>	<u>56,335</u>
<b>Fund Balance</b>			
Non-spendable	17,776	(17,776)	-
Committed	25,306	(25,306)	-
Assigned	131,437	(131,437)	-
Unassigned	816,725	(816,725)	-
	<u>\$ 991,244</u>	<u>(991,244)</u>	<u>-</u>
<b>Net Position</b>			
Invested in Capital Assets		172,372	172,372
Unrestricted		785,519	785,519
		<u>\$ 957,891</u>	<u>\$ 957,891</u>

See the Notes to the Financial Statements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 December 31, 2019

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 991,244</b>
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.	172,372
Deferred Outflows reported in the government-wide statement of net position are not current financial resources and therefore are not reported in the governmental fund balance sheet. Deferred Outflows of Resources	23,383
Compensated absences are not due and payable in the current period and are not reported in the general funds.	(17,967)
Deferred Inflows reported in the government-wide statement of net position are not a use of current financial resources and therefore are not reported in the governmental fund balance sheet. Differed Inflows of Resources	(56,335)
Net pension liability reported in the government-wide statement of net position is not a use of current financial resources and therefore is not reported in the governmental fund balance sheet.	<u>(154,806)</u>
<b>Net Position of Governmental Funds</b>	<b><u><u>\$ 957,891</u></u></b>

See the Notes to the Financial Statements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
**Statement of Activities and Governmental Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended December 31, 2019**

	General Fund	Adjustments See Reconciliation	Statement of Activities
<b>Revenues</b>			
Intergovernmental			
County	\$ 178,544	\$ -	\$ 178,544
State	229,636		229,636
Total Intergovernmental Revenues	<u>408,180</u>	<u>-</u>	<u>408,180</u>
Charges for Services	<u>196,910</u>	<u>-</u>	<u>196,910</u>
Miscellaneous			
Interest	9,490		9,490
Other	27,432		27,432
Total Miscellaneous	<u>36,922</u>	<u>-</u>	<u>36,922</u>
Total Revenues	<u>642,012</u>	<u>-</u>	<u>642,012</u>
<b>Expenditures\Expenses</b>			
District Operations			
Personnel Services	274,971	424	275,395
Other Services and Charges	114,663		114,663
Capital Outlay	33,000	(33,000)	-
Depreciation	-	43,950	43,950
Total District Operations	<u>422,634</u>	<u>11,374</u>	<u>434,008</u>
Project Expenditures\Expenses			
District	113,335		113,335
State	11,906		11,906
County- Water Plan	5,500		5,500
Total Project Expenditures\Expenses	<u>130,741</u>	<u>-</u>	<u>130,741</u>
Total Expenditures\Expenses	<u>553,375</u>	<u>11,374</u>	<u>564,749</u>
Excess of Revenues Over(Under) Expenditures\Expenses	88,637	(11,374)	77,263
Other Financing Sources (Uses)			
Sale of Capital Assets	2,720		2,720
Total Other Financing Sources (Uses)	<u>2,720</u>	<u>-</u>	<u>2,720</u>
Net Change in Fund Balance\Net Position	\$ 91,357	\$ (11,374)	\$ 79,983
Fund Balance\Prior Net Position - January 1	<u>899,887</u>	<u>(21,979)</u>	<u>877,908</u>
Fund Balance\Net Position - December 31	<u>\$ 991,244</u>	<u>\$ (33,353)</u>	<u>\$ 957,891</u>

See the Notes to the Financial Statements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2019

<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 91,357</b>
Governmental funds report capital outlay as expenditures. However, in the government wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	33,000
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(43,950)
The government-wide statement of activities report pension expense on the full accrual basis for net results of actuarial projections and contribution from the State of Minnesota. This difference is not recorded in the fund financial statement.	1,118
Compensated Absences are also reflected in the government-wide statement of activities.	<u>(1,542)</u>
<b>Changes in Net Position of Governmental Activities</b>	<b><u>\$ 79,983</u></b>

See the Notes to the Financial Statements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lincoln Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Lincoln 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.

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 and account groups that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

The District is not considered a part of Lincoln 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.

The District does not have any component units.

**B. Basis of Accounting**

**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 governmental activities, which normally are supported by appropriations and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
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The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the corporation.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or thirty days thereafter to be used to pay liabilities of the current period.

**C. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. Budget**

The District adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

**E. Cash Equivalents**

Lincoln Soil and Water Conservation District recognizes cash as currency on hand, demand deposits held with financial institutions, certificates of deposit, money market accounts and repurchase agreements.

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Lincoln Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity Accounts**

**1. Assets**

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Accounts receivable are from charges for services. Management believes all balances are fully collectible. Therefore, no allowance for uncollectible amounts is deemed to be necessary.

Inventory consists of tree matting and are stated at cost.

Due from Other Governments includes amounts for shared projects and grants.

Capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General capital assets are still valued at historical or estimated historical cost.

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 over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Lincoln Soil and Water Conservation District has set the capitalization threshold at \$5,000.

**2. Liabilities**

Liabilities of the District include accounts payable, accrued payroll and related taxes, sales tax payable, deposits on sales, compensated absences, unearned revenue, and net pension liability.

**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 8 to 18 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 240 hours and unlimited sick leave. Upon termination from the District, employees are paid accrued vacation leave. Retirement age employees: (eligible for benefits from Social Security or PERA) and at least 10-year of continued service: 1) Any accrued vacation leave will be paid in the amount of 25% of the employees accrued, unused sick leave to a maximum of \$2,500. 100% of the employee severance to the Health Care Savings Plan.

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Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and Pension expense, information about the fiduciary net pension of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Equity

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. 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 but is not limited to: prepaid expenses, inventory, and fixed assets.
- b. 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.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: unemployment compensation.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications.

G. Revenues and Expenses

1. Revenues

a. Intergovernmental

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

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
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a. Intergovernmental (cont.)

corresponding expenditures are 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.

Nonexchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

The breakdown of County Revenue for 2019 is as follows:

Annual Allocation		\$140,400
Water Plan Money		18,101
Wetland Money		5,043
Other		<u>15,000</u>
Total		<u>\$178,544</u>

b. Other Revenue

Investment income (reported as Miscellaneous Revenue) and revenue from the sale of trees (reported as Charges for Services) are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program and other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

**II. DETAILED NOTES ON ALL FUNDS**

A. Capital Assets

Changes in Capital Assets:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Land	\$ 11,768	\$ -	\$ -	\$ 11,768
Buildings	67,053			67,053
Vehicles	150,470		(23,693)	126,777
Machinery & Equipment	<u>140,259</u>	<u>33,000</u>		<u>173,259</u>
Total	369,550	33,000	(23,693)	378,857
Accumulated Depreciation	<u>(186,228)</u>	<u>(43,950)</u>	23,693	<u>(206,485)</u>
Governmental Capital Assets, Net	<u>\$ 183,322</u>	<u>\$ (10,950)</u>	<u>\$ -</u>	<u>\$ 172,372</u>

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**B. Unearned Revenue**

Unearned revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Lincoln County for various programs. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2019, consists of the following:

County Revenue	\$ 21,319
State Revenue	156,519
Total	\$ 177,838

**C. Compensated Absences**

Changes in long-term debt for the period ended December 31, 2019, are:

Balance-January 1, 2019	\$ 16,425
Increase(Decrease) in compensated absences	1,542
Balance-December 31, 2019	\$ 17,967

**D. Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be covered 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 institutions banking day, not covered by insurance or bonds. All deposits are in category 1, low risk type investment.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better, irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The total collateral available from pledged securities was \$1,000,000, which was sufficient coverage for any deposits not insured by FDIC.

As of December 31, 2019, the carrying amount of the District's deposits with financial institutions was \$1,128,813 and the bank balance was \$1,135,804. The bank balance is categorized as follows:

Insured by FDIC Insurance	\$ 357,480
Covered by Collateral	778,324
Uninsured/Uncollateralized	0
Total	\$ 1,135,804

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**E. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Agency rated "A" or better; bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase 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. The District does not have any investments policies that would further limit investment choices.

The District does not carry any investments on its financial statements as of December 31, 2019.

**III. PENSION PLANS**

**Plan Description**

The Lincoln Soil and Water Conservation District, participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

**General Employees Retirement Plan (GERF)**

All Full-time and certain part-time employees of the Lincoln Soil and Water Conservation District, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**A. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. 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.

**General Employees Plan Benefits**

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years and 1.7% of average salary for each additional year. Under

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General Employees Plan Benefits (cont.)

Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age of 65 if prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

**B. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2019 and the Lincoln Soil and Water Conservation District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2019 was \$15,256. The District's contributions were equal to the required contributions as set by state statute.

**C. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the District reported a liability of \$154,806 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion was .0028% which was a decrease of .0001% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense of \$13,675 for its proportionate share of GERF's pension expense.

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General Employees Fund Pension Costs (cont.)

At December 31, 2019, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$4,575	
Changes in actuarial assumptions		\$13,152
Differences between projected and actual investment earnings	\$10,677	\$27,416
Change in proportionate share of net pension liability.		\$15,767
Contributions paid to PERA subsequent to the measurement date	\$8,131	
<b>Total</b>	<b>\$23,383</b>	<b>\$56,335</b>

**C. Pension Costs (cont.)**

\$8,131 reported as deferred outflows of resources related to pensions resulting from Lincoln Soil and Water Conservation District's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	(\$16,832)
2021	(\$19,899)
2022	(\$4,602)
2023	\$250

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan.



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**D. Actuarial Assumptions (cont.)**

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions and planned provisions occurred in 2019:

**General Employees Fund**

**Changes in Actuarial Assumptions:**

- The mortality projection scale was changed from MP-2017 to MP-2018

**Changes in Plan Provision:**

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	35.0%	5.10%
International Stocks	25.0%	5.90%
Bonds	20.0%	0.75%
Alternative Assets	17.5%	5.90%
Cash	2.0%	0.00%

**E. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**F. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
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**F. Pension Liability Sensitivity (cont.)**

discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Corporation's proportionate share of the GERF net pension liability:	\$254,492	\$154,806	\$72,495

**G. Pension Plan Fiduciary Net Position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. 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 by calling (651) 296-7460 or 1-800-652-9026.

**8. DEFINED CONTRIBUTION PLAN**

The District Supervisors 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.

Plan benefits depend solely on amounts contributed to the plan plus investments 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 2019 were:

Contribution Amount		Percent of covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$300	\$300	5.0%	5.0%	5.0%

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. 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 by calling (651) 296-7460 or 1-800-652-9026.

**IV. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the general-purpose 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. 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.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT**  
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**V. OPERATING LEASE**

The District leases office space on a yearly basis. Under the current agreement, total costs for 2019 were \$20,287. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

## LINCOLN SOIL AND WATER CONSERVATION DISTRICT

### Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental				
County	\$ 140,400	\$ 140,400	\$ 178,544	\$ 38,144
State	190,773	190,773	229,636	38,863
Total Intergovernmental Revenues	<u>331,173</u>	<u>331,173</u>	<u>408,180</u>	<u>77,007</u>
Charges for Services	<u>322,200</u>	<u>322,200</u>	<u>196,910</u>	<u>(125,290)</u>
Miscellaneous				
Interest	1,600	1,600	9,490	7,890
Other	4,380	4,380	27,432	23,052
Total Miscellaneous	<u>5,980</u>	<u>5,980</u>	<u>36,922</u>	<u>30,942</u>
Total Revenues	<u>\$ 659,353</u>	<u>\$ 659,353</u>	<u>\$ 642,012</u>	<u>\$ (17,341)</u>
<b>Expenditures</b>				
District Operations				
Personnel Services	\$ 289,500	\$ 289,500	\$ 274,971	\$ 14,529
Other Services and Charges/Supplies	69,600	69,600	114,663	(45,063)
Capital Outlay	25,000	25,000	33,000	(8,000)
Total District Operations	<u>384,100</u>	<u>384,100</u>	<u>422,634</u>	<u>(38,534)</u>
Project Expenditures				
District	246,400	246,400	113,335	133,065
State	15,527	15,527	11,906	3,621
County-Water Plan	14,400	14,400	5,500	8,900
Total Project Expenditures	<u>276,327</u>	<u>276,327</u>	<u>130,741</u>	<u>145,586</u>
Total Expenditures	<u>\$ 660,427</u>	<u>\$ 660,427</u>	<u>\$ 553,375</u>	<u>\$ 107,052</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,074)</u>	<u>\$ (1,074)</u>	<u>\$ 88,637</u>	<u>\$ 89,711</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	\$ -	\$ -	\$ 2,720	\$ 2,720
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,720</u>	<u>\$ 2,720</u>
Net Change in Fund Balance	<u>\$ (1,074)</u>	<u>\$ (1,074)</u>	<u>\$ 91,357</u>	<u>\$ 92,431</u>
Fund Balance - January 1	<u>899,887</u>	<u>899,887</u>	<u>899,887</u>	
Fund Balance - December 31	<u>\$ 898,813</u>	<u>\$ 898,813</u>	<u>\$ 991,244</u>	<u>\$ 92,431</u>

See the Notes to the Financial Statements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

Basis of Presentation

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting.

Budgetary Legal Requirements

Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is used during the fiscal year as a tool to monitor actual revenues and expenditures.

The budget is adopted through the passage of a resolution by the board of trustees. Any revision that alters the total expenditures of any fund must be approved by the board of trustees. Appropriations lapse at the end of each year.

**Schedule of District's Proportionate Share of the Net Pension Liability**

Lincoln Soil & Water Conservation District's Proportionate Share of Net Pension Liability  
 PERA General Employees Retirement Fund  
 Required Supplementary Information (Last Ten Years\*)

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's		Covered Employee Payroll (c)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			Proportionate Share (Amount) of the Net Pension Liability Associated with Lincoln County SWCD (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with Lincoln County SWCD (a+b)			
June 30, 2019	0.0028%	\$154,806	\$4,833	\$159,639	\$200,281	79.71%	80.20%
June 30, 2018	0.0029%	\$160,880	\$5,286	\$166,166	\$214,994	77.29%	79.50%
June 30, 2017	0.0032%	\$204,286	\$2,566	\$206,852	\$225,606	91.69%	75.90%
June 30, 2016	0.0033%	\$267,944	\$3,559	\$271,503	\$226,682	119.77%	68.91%
June 30, 2015	0.0034%	\$172,206	\$0	\$172,206	\$197,493	87.20%	78.20%

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

\*\* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015.

## Schedule of District's Contributions

Lincoln Soil & Water Conservation District's Contributions  
 PERA General Employees Retirement Fund  
 Required Supplementary Information (Last Ten Years\*)

Fiscal Year Ended	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contributions Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
December 31, 2019	\$15,256	\$15,256	\$0	\$203,420	7.50%
December 31, 2018	\$15,329	\$15,329	\$0	\$204,382	7.50%
December 31, 2017	\$16,920	\$16,920	\$0	\$225,606	7.50%
December 31, 2016	\$17,001	\$17,001	\$0	\$226,682	7.50%
December 31, 2015	\$14,812	\$14,812	\$0	\$197,493	7.50%

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

\*\* Schedule is to be provided prospectively beginning with the employer's fiscal year ended December 31, 2015.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Lincoln Soil and Water Conservation District  
200 S Co. Hwy 5, Suite 2  
Ivanhoe, MN 56142

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Lincoln Soil and Water Conservation District, as of and for the year ended December 31, 2019, which collectively comprise the District's financial statements and have issued our report dated October 21, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County Soil and Water Conservation District, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln County Soil and Water Conservation District, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lincoln County Soil and Water Conservation District, Minnesota's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2019-001 and 2019-002.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lincoln Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Lincoln SWCD's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Danielle L. Berg, Ltd.  
Certified Public Accountant

October 21, 2020

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Prior Audit:**

2018-001. Finding – Lack of segregation of duties. Repeated as Finding 2019-001.

2018-002. Finding – Lack of Expertise by District Personnel to prepare accrual basis financial statements. Repeated as Finding 2019-002.

**CURRENT AUDIT YEAR FINDINGS AND RESPONSES**

**Internal Controls:**

**2019-001 Lack of segregation of duties**

Deficiency: The District has limited personnel available to perform accounting duties

Criteria: A good internal control contemplates an adequate segregation of duties so that no one individual handles transactions from inception to completion.

Cause: The District indicated that it has a limited number of employees. Therefore, the District cannot adequately segregate accounting duties.

Effect: As a result of the lack of segregation of duties, personnel are performing duties for which, internal control purposes, should be performed by separate individuals.

Recommendation: While we recognize that the District is not large enough to permit adequate segregation of duties in all respects, it is important that you be aware of this deficiency and design internal controls to provide for proper segregation of duties where possible. This comment should not reflect negatively on the staff and is based solely on staff size.

Response: This is not unusual in a organization of this size. The District has studied the situation and found that it is not economically feasible to design the system of internal controls to adequately provide for the segregation of duties.

Corrective Plan of Action: The Supervisors will monitor personnel duties.

**2019-002 Lack of expertise by District personnel to prepare accrual basis financial statements**

Condition: The District lacks the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements and related notes to the financial statements. The District relies on staff within the auditor's firm to assist in preparing the annual financial statements.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statements are prepared in accordance with generally accepted accounting principles and that material misstatements are detected.

Cause: The District could put together the financial statements on the accrual basis of accounting, however, they have requested assistance in ensuring all required disclosures are properly included and changes made by GASB are implemented.

Effect: The District's personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles and detecting material misstatements.

**LINCOLN SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**CURRENT AUDIT YEAR FINDINGS AND RESPONSES (Continued)**

Recommendation: The District should provide personnel with adequate training to develop expertise to prepare financial statements and related notes to the financial statements in accordance with generally accepted accounting principles.

Response: This is not unusual in an organization of this size. It is not economically feasible for the District to provide the necessary training for personnel to acquire and maintain this expertise.

Corrective Plan of Action: The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

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## INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Lincoln Soil and Water Conservation District  
200 S Co. Hwy. 5, Suite 2  
Ivanhoe, MN 56142

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities and the major fund, the general fund, of the Lincoln Soil and Water Conservation District, as of and for the year ended December 31, 2019 and the related notes to the financial statements, and have issued our report thereon dated October 21, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Lincoln Soil and Water Conservation District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Lincoln Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

  
Danielle L. Berg, Ltd.  
Certified Public Accountant

October 21, 2020