

**OLMSTED SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Olmsted Soil and Water Conservation District, Rochester, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Olmsted Soil and Water Conservation 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about 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 general fund of Olmsted Soil and Water Conservation District as of December 31, 2019, and the respective changes in financial position for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Although not a part of the basic financial statements, such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison statement on page 10 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2020, on our consideration of the Olmsted Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Olmsted Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 17, 2020

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2019**

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 565,787	\$ -	\$ 565,787
Due from Other Governments	42,348	-	42,348
Accounts Receivable	52	-	52
Prepaid Items	1,713	-	1,713
Total Assets	<u>\$ 609,900</u>	<u>\$ -</u>	<u>\$ 609,900</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 13,958	\$ -	\$ 13,958
Due to Other Governments	12,389	-	12,389
Tree Deposits	3,805	-	3,805
Unearned Revenue	392,830	-	392,830
Total Liabilities	<u>\$ 422,982</u>	<u>\$ -</u>	<u>\$ 422,982</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepays	\$ 1,713	\$ (1,713)	\$ -
Unassigned	185,205	(185,205)	-
Total Fund Balance	<u>\$ 186,918</u>	<u>\$ (186,918)</u>	<u>\$ -</u>
Net Position			
Unrestricted		\$ 186,918	\$ 186,918
Total Net Position		<u>\$ 186,918</u>	<u>\$ 186,918</u>

Notes are an integral part of the basic financial statements.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 746,488	\$ -	\$ 746,488
Charges for Services	61,319	-	61,319
Interest Earnings	10,136	-	10,136
Miscellaneous	5,323	-	5,323
Total Revenues	\$ 823,266	\$ -	\$ 823,266
Expenditures/Expenses			
Conservation			
Current	\$ 846,918	\$ -	\$ 846,918
Total Expenditures/Expenses	\$ 846,918	\$ -	\$ 846,918
Excess of Revenues Over (Under) Expenditures/Expenses	\$ (23,652)	\$ -	\$ (23,652)
Fund Balance/Net Position January 1	\$ 210,570	\$ -	\$ 210,570
Fund Balance/Net Position December 31	\$ 186,918	\$ -	\$ 186,918

Notes are an integral part of the basic financial statements.

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

Note 1 – Summary of Significant Accounting Policies

The financial reporting policies of the Olmsted Soil and Water Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

The Olmsted Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 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 District provides technical and financial assistance to individuals, groups, districts, 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 District is not considered a part of Olmsted County because it does not retain control over the operations of the District. On January 1, 2003 an agreement between Olmsted Soil and Water Conservation District and Olmsted County was implemented. The agreement transferred all assets and employees to the County. The County is the fiscal agent for the District and contracts all personnel services with the District. Olmsted County is responsible for reporting all pension liabilities and compensated absences for the District's contracted personnel.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

Government-Wide Financial Statements

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

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.

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

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

Interest earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The District adopts an estimated revenues and expenditures budget for the general fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require Board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

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

Assets, Liabilities, and Net Position

Assets

Cash is 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.

Receivables are collectible within one year.

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

Prepaid expenses are for items that will provide future benefit over the next twelve months.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – Amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the Board Administrator who has been delegated that authority by Board resolution.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the restricted fund balance classifications could be used.

Subsequent Events

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the District’s customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the District’s financial condition or results of operations is uncertain.

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 17, 2020, the date the financial statements were available to be issued.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers’ compensation claims; and natural disasters. Property and casualty liabilities and workers’ compensation are insured through Olmsted County. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes

Capital Assets

The District has no capital assets per the service agreement between the County of Olmsted and the District dated January 1, 2003.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota 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 recorded. Unearned revenue for the year ended December 31, 2019, consists of the following: BWSR Cost Share Program \$59,051; Buffer Law \$59,968; Conservation Delivery \$21,754; Local Capacity Grant \$252,057; Total \$392,830.

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

Deposits

All District funds are on deposit with Olmsted County, per the service agreement between Olmsted County and Olmsted Soil and Water Conservation District dated January 1, 2003. Olmsted County shall serve as fiscal agent for the District and maintain all funds in segregated accounts. Olmsted County's cash and investment policies are followed. Minnesota Statutes require that all County deposits be protected by insurance, surety bond, or collateral.

Note 3 – Defined Benefit Pension Plan

The District does not employ staff, per the staff agreement between the County of Olmsted and the Olmsted Soil and Water Conservation District dated January 1, 2003, where District employees became employees of Olmsted County effective January 1, 2003. Olmsted County is responsible for pension plans for the District's contract staff.

Note 4 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement total costs for 2019 were \$28,695.

Note 5 – Stewardship, Compliance and Accountability

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$846,918; Budget \$730,012; Excess \$116,906.

Note 6 – Commitments and Contingencies

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

Note 7 – Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	\$ 210,570
Less: Excess of Expenditures Over Revenues	(23,652)
Governmental Fund Balance, December 31	<u>\$ 186,918</u>
 Net Position	 <u>\$ 186,918</u>

Note 8 – Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	<u>\$ (23,652)</u>
Change in Net Position	<u>\$ (23,652)</u>

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 374,528	\$ 374,528	\$ -
Local	-	117,379	117,379
Federal	500	-	(500)
State Grant	287,813	254,581	(33,232)
Total Intergovernmental	<u>\$ 662,841</u>	<u>\$ 746,488</u>	<u>\$ 83,647</u>
Charges for Services	<u>\$ 50,200</u>	<u>\$ 61,319</u>	<u>\$ 11,119</u>
Miscellaneous			
Interest Earnings	\$ 500	\$ 10,136	\$ 9,636
Other	10,000	5,323	(4,677)
Total Miscellaneous	<u>\$ 10,500</u>	<u>\$ 15,459</u>	<u>\$ 4,959</u>
Total Revenues	<u>\$ 723,541</u>	<u>\$ 823,266</u>	<u>\$ 99,725</u>
Expenditures			
District Operations			
Personnel Services	\$ 423,932	\$ 526,037	\$ (102,105)
Other Services and Charges	170,780	137,478	33,302
Supplies	1,100	426	674
Total District Operations	<u>\$ 595,812</u>	<u>\$ 663,941</u>	<u>\$ (68,129)</u>
Project Expenditures			
District	\$ 14,200	\$ 35,042	\$ (20,842)
State	120,000	147,935	(27,935)
Total Project Expenditures	<u>\$ 134,200</u>	<u>\$ 182,977</u>	<u>\$ (48,777)</u>
Total Expenditures	<u>\$ 730,012</u>	<u>\$ 846,918</u>	<u>\$ (116,906)</u>
Excess of Revenues Over (Under) Expenditures	\$ (6,471)	\$ (23,652)	\$ (17,181)
Fund Balance - January 1	<u>\$ 210,570</u>	<u>\$ 210,570</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 204,099</u>	<u>\$ 186,918</u>	<u>\$ (17,181)</u>

Notes are an integral part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

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 financial statements of the governmental activities and the general fund of Olmsted Soil and Water Conservation District of Rochester, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Olmsted Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 17, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Olmsted 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, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for 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 the knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Olmsted Soil and Water Conservation District's noncompliance with the above referenced provisions.

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.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 17, 2020

**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**

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

We have audited, in accordance with the 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 financial statements of the governmental activities of Olmsted Soil and Water Conservation District, Rochester, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Olmsted Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Olmsted Soil and Water Conservation District's internal control over financial reporting 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 Olmsted Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Olmsted Soil and Water Conservation District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olmsted Soil and Water Conservation District's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 17, 2020