

**OLMSTED SOIL AND WATER  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**OLSMTED SOIL AND WATER CONSERVATION DISTRICT  
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FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, as of and for the year ended December 31, 2020, 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

Olmsted Soil and Water Conservation District's 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 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, 2020, 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 budgetary comparison schedule on page 15 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 23, 2021, 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 the effectiveness of 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 23, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
DECEMBER 31, 2020**

Olmsted Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. 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 financial statements (beginning on page 7).

**FINANCIAL HIGHLIGHTS**

As of December 31, 2020, Olmsted SWCD's assets exceeded liabilities by \$243,755 (total net position). Of the total assets, \$243,755 represents unrestricted net position that may be used to meet Olmsted SWCD operations.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, 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 District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since Districts are single-purpose, special-purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

**THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES**

Analysis of the District 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 the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position — the difference between assets and liabilities — as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from the county and state finance most activities.

## REPORTING THE DISTRICT'S GENERAL FUND

The fund financial statements provide detailed information about the general fund—not the District as a whole. The District 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 is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the District'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 District's programs.

## THE DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1  
Net Position:

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Current Assets	\$ 473,979	\$ 609,900
Total Assets	<u>\$ 473,979</u>	<u>\$ 609,900</u>
Current Liabilities	\$ 230,224	\$ 422,982
Total Liabilities	<u>\$ 230,224</u>	<u>\$ 422,982</u>
Unrestricted	\$ 243,755	\$ 186,918
Total Net Position	<u>\$ 243,755</u>	<u>\$ 186,918</u>

Net position of the District's governmental activities increased by \$56,837 or 30%. 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 changed from \$186,918 at December 31, 2019 to \$243,755 at December 31, 2020.

Table 2  
Change in Net Position

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
<u>Revenues</u>		
Intergovernmental	\$ 866,274	\$ 746,488
Charges for Services	29,218	61,319
Interest Earnings	6,815	10,136
Miscellaneous	8,071	5,323
Total Revenues	<u>\$ 910,378</u>	<u>\$ 823,266</u>
<u>Expenses</u>		
Conservation	<u>\$ 853,541</u>	<u>\$ 846,918</u>
Total Expenses	<u>\$ 853,541</u>	<u>\$ 846,918</u>
Increase (decrease) in Net Position	<u>\$ 56,837</u>	<u>\$ (23,652)</u>

The District's total revenues increased by \$87,112 or 10.58%. Intergovernmental Revenues increased overall by \$119,786, or 16.05%. State Grant revenues increased by \$89,227 in 2020 versus 2019, due to the timing of project completion. County revenues increased by \$48,846, due to a cost-of-living adjustment from the County's General Fund to the SWCD. Other Governmental revenues decreased by \$18,287. There were no Federal revenues in 2020. Charges for Services decreased by \$32,101, interest earnings decreased by \$3,321 and Miscellaneous Revenue increased by \$2,748.

The total cost of all programs and services increased by \$6,623, which is slightly less than 1%. District operations expense increased in 2020 by \$42,044 or approximately 6.33% largely due to increases in charges for financial support and technology services. Contracted personnel services increased \$19,953 or 3.79% due to salary and benefit increases for district personnel. District project expenses in 2019 were \$35,042, which was due to a one-time reclassification of expenses previously funded by State grants; 2020 expenses were \$10,398, a 70% decrease, but is more in line with the normal expenses of this category. State project expenses decreased by \$10,777 or 7.28%.

The District had budgeted for using up to \$6,300 of reserves in 2020. However, an overall increase in revenues due to grant revenue recognition allowed for an overall net position increase of \$56,837.

### **Governmental Activities**

Overall, the District's governmental program revenues increased from \$746,488 in 2019 to \$866,274 in 2020. The cost of all governmental activities were \$846,918 in 2019 compared to \$853,541 in 2020. The District fell short in covering governmental program expenses with government program revenues by \$12,733; however, Other Revenues of \$69,120, offset this deficiency for an increase to net position of \$56,837.

### **THE DISTRICT'S GENERAL FUND**

As the District completed the year, its general fund as presented in the balance sheet reported a fund balance of \$243,755 which is an increase from last year's total of \$186,918.

## **General Fund Budgetary Highlights**

The District's Original and Final budgets are reflected in the statement on page 15.

The most significant change in 2020 budget projection was in the District's Intergovernmental revenues where the District received \$171,617 more in revenues than anticipated, and project expenses exceeded budget by \$67,856. State project revenues and the corresponding expenses are difficult to budget, because these projects are completed over a multi-year period and the revenues and expenses cannot be accurately budgeted in a specific year.

For 2020 total expenditures of \$853,541 were \$15,389 more than the budgeted projection of \$838,152. This was due to State Project expenditures deficit exceeding the budgeted amount; however, the State Grant revenue received completely offset the increased expenditures.

The District anticipated using up to \$6,300 in reserves in 2020 which would have been reflected in a decrease in unrestricted net position. This reserve use was not needed as revenues were higher than anticipated resulting in an increase in unrestricted net position of \$56,837.

## **CAPITAL ASSETS**

The District does not have Capital Assets.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, customers, 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 Olmsted Soil and Water Conservation District at 2122 Campus Drive SE, Suite 200, Rochester, MN 55904 or call 507-328-7070.



**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
 ROCHESTER, MINNESOTA  
 STATEMENT OF NET POSITION AND  
 GOVERNMENTAL FUND BALANCE SHEET  
 DECEMBER 31, 2020**

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 382,689	\$ -	\$ 382,689
Accounts Receivables	9,446	-	9,446
Due from Other Governments	78,952	-	78,952
Prepaid Items	2,892	-	2,892
Total Assets	\$ 473,979	\$ -	\$ 473,979
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	\$ 11,100	\$ -	\$ 11,100
Deposits on Sales	11,063	-	11,063
Unearned Revenue	208,061	-	208,061
Total Liabilities	\$ 230,224	\$ -	\$ 230,224
<b>Fund Balance/Net Position</b>			
Fund Balance			
Non-spendable - Prepays	\$ 2,892	\$ (2,892)	\$ -
Unassigned	240,863	(240,863)	-
Total Fund Balance	\$ 243,755	\$ (243,755)	\$ -
Net Position			
Unrestricted		\$ 243,755	\$ 243,755
Total Net Position		\$ 243,755	\$ 243,755

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, 2020**

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$ 866,274	\$ -	\$ 866,274
Charges for Services	29,218	-	29,218
Interest Earnings	6,815	-	6,815
Miscellaneous	8,071	-	8,071
Total Revenues	<u>\$ 910,378</u>	<u>\$ -</u>	<u>\$ 910,378</u>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$ 853,541		\$ 853,541
Total Expenditures/Expenses	<u>\$ 853,541</u>	<u>\$ -</u>	<u>\$ 853,541</u>
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 56,837	\$ -	\$ 56,837
Fund Balance/Net Position January 1	<u>\$ 186,918</u>	<u>\$ -</u>	<u>\$ 186,918</u>
Fund Balance/Net Position December 31	<u>\$ 243,755</u>	<u>\$ -</u>	<u>\$ 243,755</u>

Notes are an integral part of the basic financial statements.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of Olmsted Soil and Water Conservation District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**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.

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.

GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements**

The Olmsted Soil and Water Conservation District meets the definition of a Special-Purpose government and is involved in only one program, i.e., conservation of soil and water resources. Accordingly, the District is allowed to combine its government-wide statements with the fund statements.

The government-wide financial statements (i.e. The Statement of Net Position and The Statement of Activities) display information about the reporting government as a whole. These statements include all financial 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 or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Certain items not properly included among program revenues are reported instead as miscellaneous revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, or fiduciary. Currently, the District has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 the related cash flows. Charges for services revenue is recorded when earned. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. County and local grant revenue is generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Investment earnings are recorded when earned because they are measurable and available. Miscellaneous revenues (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements in advance of the year in which the item is to be used.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the general government.

**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 or Fund Balance**

**Cash**

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.

**Accounts Receivables and Due from Other Governments**

Receivables are collectible within one year.

Due from other governments is recorded for state, county, and local grant amounts that were received after year-end and all eligibility requirements had been met.

**Prepaid Expenses**

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

**Unearned Revenue**

Unearned revenue is recorded for state grant amounts received prior to satisfying all eligibility requirements imposed by the providers.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance**

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable portions of fund balance relate to prepaid expenditures or inventory amounts. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the District imposes upon itself by a high-level formal action prior to the close of the fiscal period. The District's Board of Supervisors authorizes all assigned fund balances and their intended uses. The District currently doesn't report any assigned fund balances. Unassigned fund balances are considered the remaining amounts, usually in the General Fund, only.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

**Net Position**

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows in the government-wide financial statements. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 23, 2021, the date the financial statements were available to be issued.

**NOTE 2 – 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 the 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.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3 – 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, 2020, consists of the following: BWSR Cost Share Program \$50,944; Conservation Delivery \$21,754; Local Capacity Grants \$85,504; Buffer Law Implementation \$49,859; Total \$208,061.

**NOTE 4 – 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. The District has entered into an agreement with Olmsted County to cover its liabilities for workers compensation and property and casualty. For other risks, the District carries commercial insurance. There were no significant reductions of insurance coverage from the previous year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

The Workers' Compensation Division of Olmsted County is self-sustaining based on the contribution charges, so that the total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy the claims liabilities and other expenses. Olmsted County participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 in 2020. Should the Olmsted County Workers' Compensation Division liabilities exceed assets, Olmsted County may assess the District in a method and amount to be determined by Olmsted County.

The Property and Casualty Division of Olmsted County is self-sustaining and the District pays an annual premium to cover current and future losses. Olmsted County carries reinsurance for its property lines to protect against catastrophic losses. Should the Olmsted County Property and Casualty Division liabilities exceed assets, Olmsted County may assess the District in a method and amount to be determined by Olmsted County.

**NOTE 5 – 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 6 – OPERATING LEASES**

The District leases office space on a yearly basis. Under the current agreement total costs for 2020 were \$30,123.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 7 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the Board of Supervisors adopts an annual budget for the following year for the General Fund. Any modifications in the adopted budget can be made upon request of and approval by the Board of Supervisors. All annual appropriations lapse at fiscal year-end. Legal budgetary control is at the fund level.

**NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES**

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

**NOTE 9 – RISK AND UNCERTAINTY**

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization had declared the outbreak to constitute a “Public Health Emergency of International Concern.” During 2020 the stock market was unpredictable and interest rates decreased. The economy is still managing, but future economic conditions are unknown. For fiscal year 2020, COVID-19 had little effect on the District, but the extent to which COVID-19 may impact the District’s future financial condition or results of its operation is uncertain.

**NOTE 10 – RECONCILIATION OF FUND BALANCE TO NET POSITION**

Governmental Fund Balance, January 1	\$	186,918
Plus: Excess of Revenues Over Expenditures		56,837
Governmental Fund Balance, December 31	\$	<u>243,755</u>
 Net Position	 \$	 <u>243,755</u>

**NOTE 11 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION**

Change in Fund Balance	\$	<u>56,837</u>
Change in Net Position	\$	<u>56,837</u>



**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
 ROCHESTER, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2020**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
<b>Revenues</b>			
Intergovernmental			
County	\$ 396,600	\$ 423,374	\$ 26,774
Local	113,203	99,092	(14,111)
State Grant	184,854	343,808	158,954
Total Intergovernmental	<u>\$ 694,657</u>	<u>\$ 866,274</u>	<u>\$ 171,617</u>
Charges for Services	<u>\$ 52,200</u>	<u>\$ 29,218</u>	<u>\$ (22,982)</u>
Miscellaneous			
Interest Earnings	\$ 500	\$ 6,815	\$ 6,315
Other	3,500	8,071	4,571
Total Miscellaneous	<u>\$ 4,000</u>	<u>\$ 14,886</u>	<u>\$ 10,886</u>
Total Revenues	<u>\$ 750,857</u>	<u>\$ 910,378</u>	<u>\$ 159,521</u>
<b>Expenditures</b>			
District Operations			
Contracted Personnel Services	\$ 546,051	\$ 545,990	\$ 61
Other Services and Charges	208,701	159,944	48,757
Supplies	3,700	51	3,649
Total District Operations	<u>\$ 758,452</u>	<u>\$ 705,985</u>	<u>\$ 52,467</u>
Project Expenditures			
District	\$ 14,700	\$ 10,398	\$ 4,302
State	65,000	137,158	(72,158)
Total Project Expenditures	<u>\$ 79,700</u>	<u>\$ 147,556</u>	<u>\$ (67,856)</u>
Total Expenditures	<u>\$ 838,152</u>	<u>\$ 853,541</u>	<u>\$ (15,389)</u>
Excess of Revenues Over (Under)			
Expenditures	\$ (87,295)	\$ 56,837	\$ 144,132
Fund Balance - January 1	<u>\$ 186,918</u>	<u>\$ 186,918</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 99,623</u></u>	<u><u>\$ 243,755</u></u>	<u><u>\$ 144,132</u></u>

Notes are an integral part of the basic financial statements.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

**NOTE 1 – BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the Board of Supervisors adopts an annual budget for the following year for the General Fund. Any modifications in the adopted budget can be made upon request of and approval by the Board of Supervisors. All annual appropriations lapse at fiscal year-end. Legal budgetary control is at the fund level.

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$853,541; Budget \$838,152; Excess \$15,389.

## 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 as of and for the year ended December 31, 2020, 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 23, 2021.

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, 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 Olmsted 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.

*Peterson Company Ltd*

PETERSON COMPANY LTD  
Certified Public Accountants  
Waconia, Minnesota

August 23, 2021

**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 and the general fund of Olmsted Soil and Water Conservation District as of and for the year ended December 31, 2020, 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 23, 2021.

### **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 as a basis for designing 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 Olmsted Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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 statements. 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 23, 2021