

**CASS SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Cass Soil and Water Conservation District
Walker, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Cass Soil and Water Conservation District, Walker, Minnesota, as of and for the year ended December 31, 2014 and the related notes to the financial statements, 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 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 the Cass Soil and Water Conservation District as of December 31, 2014, and the respective changes in financial position, and the respective budgetary comparison 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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 October 2, 2015, on our consideration of the Cass 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 Cass Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD.
Certified Public Accountants
Waconia, Minnesota

October 2, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CASS SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2014**

The Cass 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, 2014. 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.

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 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, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. 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

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. 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. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

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

Our analysis of the District's general fund is part of this report. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE DISTRICT AS A WHOLE

Our analysis focuses on the net position and change in net position of the District's governmental activities.

Net Position:

	Governmental Activities	
	2014	2013
Current Assets	\$ 147,342	\$ 111,271
Total Assets	\$ 147,342	\$ 111,271
Liabilities, Unearned Revenue	\$ 67,319	\$ 25,313
Total Liabilities	\$ 67,319	\$ 25,313
Unrestricted	80,023	85,958
Total Net Position	\$ 80,023	\$ 85,958

Net position of the District's governmental activities decreased by \$5,935. 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 \$85,958 at December 31, 2013 to \$80,023 at the end of this year.

Change in Net Position:

	Governmental Activities	
	2014	2013
Revenues		
Intergovernmental	\$ 88,163	\$ 159,507
Charges for Services	960	-
Investment Earnings	485	528
Miscellaneous	84,789	24,890
Total Revenues	\$ 174,397	\$ 184,925
Expenditures		
Conservation	\$ 180,332	\$ 160,688
Total Expenditures	\$ 180,332	\$ 160,688
Increase (decrease) in Net Position	\$ (5,935)	\$ 24,237

The District's total revenues decreased by \$10,528. The total cost of programs and services increased by \$19,644.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund as presented in the balance sheet reported a combined fund balance of \$80,023, which is below last year's total of \$85,958.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$72,077 above the final budgeted amounts.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2014, the District had no capital assets.

Long-Term Liabilities

At the end of 2014, the District had no accrued compensated absences.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 the Cass Soil and Water Conservation District at PO Box 3000, Walker, MN 56484 or at 218-547-7399.

**CASS SOIL AND WATER CONSERVATION DISTRICT
WALKER, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>Assets</u>			
Cash and Investments	\$ 137,041	\$ -	\$ 137,041
Due From Other Governments	10,301	-	10,301
Total Assets	<u>\$ 147,342</u>	<u>\$ -</u>	<u>\$ 147,342</u>
<u>Liabilities</u>			
Current Liabilities:			
Unearned Revenue	\$ 64,584	\$ -	\$ 64,584
Due to Other Government	2,735	-	2,735
Total Liabilities	<u>\$ 67,319</u>	<u>\$ -</u>	<u>\$ 67,319</u>
<u>Fund Balance/Net Position</u>			
Fund Balance			
Unassigned	\$ 80,023	\$ (80,023)	\$ -
Total Fund Balance	<u>\$ 80,023</u>	<u>\$ (80,023)</u>	<u>\$ -</u>
Net Position			
Unrestricted		\$ 80,023	\$ 80,023
Total Net Position		<u>\$ 80,023</u>	<u>\$ 80,023</u>

Notes are an integral part of the basic financial statements.

**CASS SOIL AND WATER CONSERVATION DISTRICT
WALKER, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 88,163	\$ -	\$ 88,163
Charges for Services	960	-	960
Investment Earnings	485	-	485
Miscellaneous	84,789	-	84,789
Total Revenues	<u>\$ 174,397</u>	<u>\$ -</u>	<u>\$ 174,397</u>
Expenditures/Expenses			
Conservation			
Current	\$ 180,332	\$ -	\$ 180,332
Total Expenditures/Expenses	<u>\$ 180,332</u>	<u>\$ -</u>	<u>\$ 180,332</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ (5,935)</u>	<u>\$ -</u>	<u>\$ (5,935)</u>
Fund Balance/Net Position January 1	<u>\$ 85,958</u>	<u>\$ -</u>	<u>\$ 85,958</u>
Fund Balance/Net Position December 31	<u><u>\$ 80,023</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,023</u></u>

Notes are an integral part of the basic financial statements.

**CASS SOIL AND WATER CONSERVATION DISTRICT
WALKER, MINNESOTA
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 7,249	\$ 6,873	\$ (376)
State Grants	86,604	81,290	(5,314)
Total Intergovernmental	<u>\$ 93,853</u>	<u>\$ 88,163</u>	<u>\$ (5,690)</u>
Charges for Services	<u>\$ 480</u>	<u>\$ 960</u>	<u>\$ 480</u>
Miscellaneous			
Interest Earnings	\$ 550	\$ 485	\$ (65)
Other	15,492	84,789	69,297
Total Miscellaneous	<u>\$ 16,042</u>	<u>\$ 85,274</u>	<u>\$ 69,232</u>
Total Revenues	<u>\$ 110,375</u>	<u>\$ 174,397</u>	<u>\$ 64,022</u>
Expenditures			
District Operations			
Personnel Services	\$ 16,361	\$ 30,008	\$ (13,647)
Other Services and Charges	11,554	11,775	(221)
Total District Operations	<u>\$ 27,915</u>	<u>\$ 41,783</u>	<u>\$ (13,868)</u>
Project Expenditures			
District	\$ 14,400	\$ 22,201	\$ (7,801)
State	65,940	116,348	(50,408)
Total Project Expenditures	<u>\$ 80,340</u>	<u>\$ 138,549</u>	<u>\$ (58,209)</u>
Total Expenditures	<u>\$ 108,255</u>	<u>\$ 180,332</u>	<u>\$ (72,077)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,120</u>	<u>\$ (5,935)</u>	<u>\$ (8,055)</u>
Fund Balance - January 1	<u>\$ 85,958</u>	<u>\$ 85,958</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 88,078</u>	<u>\$ 80,023</u>	<u>\$ (8,055)</u>

Notes are an integral part of the basic financial statements.

**CASS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Cass 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 Cass 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 Cass Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture 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 District is not considered a part of Cass County because, even though the County provides a significant amount of the District's revenues in the form of an appropriation, it does not retain any control over the operations of the District.

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 segments 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.

