

KITTSOON SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
KITTSOON SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2017**

The Kittson SWCD discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. 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 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

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	
	2017	2016
Current Assets	\$ 735,324	\$ 453,978
Capital Assets, net of depreciation	61,451	59,268
Deferred Outflows of Resources	14,752	46,970
Combined Assets and Deferred Outflows of Resources	<u>\$ 811,527</u>	<u>\$ 560,216</u>
Current Liabilities	\$ 616,808	\$ 273,957
Long-Term Liabilities	144,036	14,763
Deferred Inflows of Resources	31,031	23,799
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 791,875</u>	<u>\$ 312,519</u>
Investments in Capital Assets	\$ 61,451	\$ 59,268
Unrestricted	(41,799)	188,429
Total Net Position	<u>\$ 19,652</u>	<u>\$ 247,697</u>

Net position of the District's governmental activities decreased by \$228,045. 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 \$247,697 at December 31, 2016 to \$19,652 at the December 31, 2017.

Change in Net Position:

	Governmental Activities	
<u>Revenues</u>	2017	2016
Intergovernmental	\$ 209,759	\$ 192,729
Charges for Services	26,198	28,418
Investment Earnings	3,004	334
Miscellaneous	11,496	4,925
Total Revenues	<u>\$ 250,457</u>	<u>\$ 226,406</u>
<u>Expenditures</u>		
Conservation	\$ 269,564	\$ 200,375
Capital Outlay	\$ 21,349	
Total Expenditures	<u>\$ 290,913</u>	<u>\$ 200,375</u>
Increase (decrease) in Net Position	<u>\$ (40,456)</u>	<u>\$ 26,031</u>

The District's total revenues increased by \$24,051. The total cost of programs and services increased by \$90,913.

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 \$118,516, which is below last year's total of \$157,557.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$228,979 below the final budgeted amounts. The most significant negative variance of \$169,103 occurred in State Grants. The most significant positive variance of \$60,797 occurred in County Revenue.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2017, the District had \$61,451 invested in capital assets. This amount represents a net increase (including additions and deletions) of \$3,939 from last year.

Long-Term Liabilities

At the end of 2017, the District had \$14,775 in accrued compensated absences and \$114,911 in Net Pension Liability. This compares to \$14,763 in 2016 for accrued compensated absences and \$138,032 for Net Pension Liability.

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 Kittson SWCD at 410 5th Street S, Suite 106, Hallock, MN 56728. The phone number is (218) 843-2619 Ext.3