

GREATER BLUE EARTH RIVER BASIN ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – Summary of Significant Accounting Policies

The financial reporting policies of the Greater Blue Earth River Alliance conform to generally accepted accounting principles. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

The Greater Blue Earth River Basin Alliance was organized through joint powers agreement on July 1, 2003 under the provisions of the Minnesota Statutes 4781.59. The purpose of the organization is to protect and enhance the land and water resources in the Greater Blue Earth River Basin. This is accomplished by coordinating and implementing programs and activities through grant awards from federal, state, and local entities. Grant applications are submitted on a competitive basis to various sources for land and water conservation activities. The JPB's three revenue sources are member dues, grant awards, and investment earnings. Grant awards represent the majority of the JPB's revenue and expenditures.

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 JPB 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 JPB.

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.

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.

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For this purpose the JPB 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.

Investment earnings are recognized when earned. Other revenues are recognized when they are earned. Other revenues are recognized when they are received in cash because they are usually 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 JPB 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 JPB 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

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

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Unearned Revenue

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

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Classification of Net Position

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

Investment in capital assets – the amount of the net position representing capital assets net of accumulated depreciation.

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 Balance

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

Nonspendable – the nonspendable 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 JPB 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 of 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.

The JPB applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

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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 unrestricted fund balance classifications could be used.

Vacation and Sick Leave

Under the JPB's policies, all employee time is contracted with participating counties or soil and water conservation districts. Employee benefits are paid and accrued by the counties and soil and water districts.

Risk Management

The JPB 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 Minnesota Counties Intergovernmental Trust. The AJPB retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The JPB pays an annual premium based on its annual payroll. 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 – Line of Credit

On December 30, 2013 the JPB signed a line of credit agreement for \$60,000. The JPB borrowed \$60,000 in December 2016 and have an outstanding balance of \$60,000 on December 31, 2016. The note has an interest rate of 4.00% and matures on February 10, 2017.

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, 2016, consists of the following: Clean Water Partnership Funds - \$35,325.00, Clean Water Legacy Funds – \$210,322.96.

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the JPB to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all JPB deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, the market value of the collateral pledged shall be at least ten percent more than the amount on deposit (plus accrued interest) at the close of the financial institution's banking day.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligation rate "A" or better; revenue obligations rated "AA" or better; irrevocable standard

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letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that the securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is now owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the JPB's deposits may not be returned to it. The JPB does not have a deposit policy for custodial credit risk. As of December 31, 2015, the JPB's deposits were not exposed to custodial risk.

Note 3 – Operating Leases

The Cottonwood Soil and Water Conservation provides office space for the JPB.

Note 4 – Reconciliation of Fund Balance to Net Position

| | |
|--|-----------------|
| Governmental Fund Balance, January 1 | \$ 3,204 |
| Less: Excess of Expenditures Over Revenues | 18,753 |
| Government Fund Balance: December 31 | <u>\$21,957</u> |
| Net Position | <u>\$21,957</u> |

Note 5 – Reconciliation of Change in Fund Balance to Change in Net Position

| | |
|------------------------|-----------------|
| Change in Fund Balance | <u>\$18,753</u> |
| Change in Net Position | <u>\$18,753</u> |

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**BREAKDOWN OF COUNTY REVENUE
2016**

COUNTY REVENUES (breakdown):

| | |
|----------------------|----------------------------|
| OTHER (specify) Dues | \$ 42,244.00 |
| | |
| TOTAL | <u><u>\$ 42,244.00</u></u> |

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule."

**UNEARNED REVENUE BREAKDOWN
2016**

| | |
|---|---------------------|
| Balance of BWSR Service Grants: | \$0.00 |
| | |
| Balance of unearned revenue: | |
| Current fiscal year | \$0.00 |
| Previous fiscal year | |
| Grant 30 - FY14 CWF Ravines & Gullies | 22,950.64 |
| Grant 32 -Clean Water Partnership | 35,325.00 |
| Grant 26 – CWL – Le Sueur Tech | 25,256.59 |
| Grant 27 – CWL – Watonwan Tech | 39,695.73 |
| Grant 35 – Hydro-Conditioning | 26,140.00 |
| Grant 36 – Hydro-Conditioning | 96,280.00 |
| | |
| Balance of <u>other</u> funds being deferred (list if any): | \$0.00 |
| | |
| Total Unearned Revenue: | \$245,647.96 |