

**GREATER BLUE EARTH RIVER BASIN INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**BREAKDOWN OF COUNTY REVENUE
2015**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 42,244.00
WATER PLAN MONEY	\$ _____
WETLAND MONEY	\$ _____
FEEDLOT MONEY	\$ _____
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
 TOTAL	 <u>\$ 42,244.00</u>

**UNEARNED REVENUE BREAKDOWN
2015**

Balance of BWSR Service Grants:	\$ 0.00								
Balance of <u>unencumbered</u> BWSR Cost-Share Grants:	<table> <tr> <td>FY16 CWP</td> <td style="text-align: right;">\$ 36,800.00</td> </tr> <tr> <td>FY13 R&G</td> <td style="text-align: right;">3,012.53</td> </tr> <tr> <td>FY14 R&G</td> <td style="text-align: right;">66,937.67</td> </tr> <tr> <td>Minnesota Department of Ag</td> <td style="text-align: right;">MAWQCP 19,624.78</td> </tr> </table>	FY16 CWP	\$ 36,800.00	FY13 R&G	3,012.53	FY14 R&G	66,937.67	Minnesota Department of Ag	MAWQCP 19,624.78
FY16 CWP	\$ 36,800.00								
FY13 R&G	3,012.53								
FY14 R&G	66,937.67								
Minnesota Department of Ag	MAWQCP 19,624.78								
Total of Unencumbered Grants:	<u>\$126,374.98</u>								
Balance of <u>encumbered</u> BWSR Grants									
BWSR Clean Water Fund – Ravines & Gullies – FY2013	\$ 26,588.64								
BWSR Clean Water Fund – Conservation Drainage – FY2013	53,328.44								
BWSR Clean Water Fund – Ravines & Gullies – FY2014	68,288.41								
Minnesota Department of Ag – MAWQCP	40,325.00								
BWSR Clean Water Fund – Le Sueur Technician	15,337.61								
BWSR Clean Water Fund – Watonwan Technician	<u>26,332.90</u>								
Total Encumbered Grants	<u>\$230,201.00</u>								
Total of all Unearned Revenue	<u>\$356,575.98</u>								

**GREATER BLUE EARTH RIVER BASIN INITIATIVE
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Note 1 - Summary of Significant Accounting Policies

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

Changes in Accounting Principles

During the year ended December 31, 2015, GBERBA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Financial Reporting Entity

The Greater Blue Earth River Basin Alliance was established July 1, 2013 under the provisions of Minnesota Statutes 471.59. The Alliance was established to receive and expend federal, state, and local grants and other related funds to coordinate implementation programs and activities that protect and enhance the land and water resources in the Greater Blue Earth River Basin.

Component units are legally separate entities for which the Alliance (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is finally accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

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 Alliance 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 non-fiduciary activities of the Alliance.

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.

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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.

Investment 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 Alliance adopts an estimated revenue and expenditure 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 Alliance approval. Appropriations lapse at year-end. The Alliance 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Assets

Investments are 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.

The Alliance does not have any capital assets.

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Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to net position.

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:

Investment in capital assets – the amount of 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Alliance does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Alliance does not have any items that qualify for reporting in this category.

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Alliance 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 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.

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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 is 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 Alliance. Those committed amounts cannot be used for any other purposes unless the Alliance 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 Alliance 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 Alliance.

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 Alliance 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 unrestricted fund balance classifications could be used.

Explanation of Adjustments Column in Statements

Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the Alliance has capital assets. The Alliance does not have any capital assets.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence Liability the Alliance. The Alliance has no Compensated Absences Liabilities. See note on Long-Term Liabilities.

Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

Vacation and Sick Leave

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

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Alliance Indebtedness

Line of Credit – On December 30, 2013 the Alliance signed a line of credit agreement for \$60,000. There was no borrowing for the year ended December 31, 2015 and no outstanding balance on the line of credit at December 31, 2015.

Risk Management

The Alliance 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 Alliance 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 Alliance 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 - Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

GBERBA does not own any assets.

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$0	\$0	\$0	\$0
Less: Accumulated Depreciation	<u>0</u>	0	0	<u>0</u>
Net Capital Assets	<u>\$0</u>			<u>\$0</u>

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, 2015, consists of the following: Clean Water Fund Grants, \$259,826; Minnesota Department of Ag, MAWQCP, \$59,950; MPCA CWP Grant, \$36,800, Total, \$356,576.

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Long-Term Liabilities - Compensated Absences Payable

GBERBA contracts with the Cottonwood SWCD for the Administrative, Technical and Financial Coordinators. Also the Watonwan Watershed Technician is a contract for services through the Cottonwood SWCD. The Le Sueur Watershed Technician position is contract for services with the SWCD.

Balance December 31, 2015	\$
Net Change in Compensated Absences	<u>0</u>
Balance December 31, 2015	<u>\$</u>

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the Alliance to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of 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, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that 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 not 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description - Public Employees Retirement Association

The Alliance does not have any employees so there are no contributions to the Public Employees Retirement Association of Minnesota (PERA).

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature.

Note 4 - Operating Leases

The Cottonwood SWCD provides office space for the Alliance.

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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 \$453,361; Budget \$651,131; Excess (\$197,770)

Note 6 - Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1, 2015	\$ 10,349
Plus: Excess of Revenue Over Expenditures	<u>(3,204)</u>
Governmental Fund Balance, December 31, 2015	<u>\$ 7,145</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	
Plus: Deferred Outflows of Resources	
Less: Long-Term Liabilities	
Less: Deferred Inflows of Resources	
Net Position	<u>\$ 3,204</u>

Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	\$ (7,145)
Capital Outlay	
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	(0)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>(0)</u>
Change in Net Position	<u>\$ (7,145)</u>