AGENDA
Dakota County Soil and Water Conservation District Board of Supervisors Meeting
December 20, 2018 - 9:00 a.m.
Conference Room A – Dakota County Extension and Conservation Center
4100 220th Street Farmington, MN 55024

1. Call to Order

2. Pledge of Allegiance

3. Audience
   Anyone in the audience wishing to address the Board regarding an item that is not on the agenda may come forward at this time. Comments are limited to five minutes.

4. Approval of Agenda (Additions/Corrections/Deletions) Action

5. Secretary’s Report
   5.1 December 6, 2018 Board Meeting Minutes Action

6. Treasurer’s Report
   6.1 December 20, 2018 Accounts Payable Action

7. Rural Lands Committee
   7.1 Authorization to Provide Final Payment to Nick Weiland for Establishment of Cover Crops Action

8. Community Development Committee
   8.1 Authorization to Amend Agreement with the Lower Mississippi River Watershed Management Organization for Services related to Implementing a FY16 Grant from the Minnesota Board of Water and Soil Resources Action

9. Committee of the Whole
   9.1 Review and Accept Financial Audit for Fiscal Year 2017 Action
   9.2 Discuss Draft Education and Outreach Plan Information

10. Upcoming Events
    December 20, 2018 Soil and Water Conservation District Special Board Meeting Conservation Center, Farmington – 9:00 a.m.
    January 3, 2018 Soil and Water Conservation District Board Meeting Conservation Center, Farmington – 9:00 a.m.

11. Adjourn
MEETING MINUTES

BOARD OF SUPERVISORS MEETING

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT

Thursday, December 6, 2018

9:00 a.m.

4100 220th Street, Suite 102
Farmington, Minnesota

Board Members Present:  SWCD Staff Present:  Others Present:
Laura Zanmiller, Chair  Brian Watson  Brad Becker, Dakota County
Kevin Chamberlain, Vice Chair  Lana Rotty  Michelle Wohlers, NRCS
Jayne Hager Dee, Treasurer  Curt Coudron
Chelsea Skog, Secretary  Todd Matzke
Bruce Johnson, Secretary  Joe Barten
Bruce Johnson, Public Relations  Lindsey Albright
Liz Dengate

1. Call to Order
Chair Zanmiller called the meeting to order at 9:00 a.m. A quorum was present.

2. Pledge of Allegiance
Chair Zanmiller led the Board of Supervisors in the Pledge of Allegiance.

3. Audience
Chair Zanmiller asked if there was anyone in the audience that wished to address the board on an item that is not on the agenda. No one appeared.

4. Approval of Agenda
   18.133 Motion by Chamberlain, second by Johnson to approve the agenda as presented. All members voting in favor. Motion carried.

5. Secretary’s Report – November 1, 2018 Board Meeting Minutes
   18.134 Motion by Skog, second by Johnson to approve the November 1, 2018 Meeting Minutes. All members voting in favor. Motion carried.
6. **Treasurer’s Report**

6.1 **December 6, 2018 Accounts Payable**

18.135 Motion by Dee, second by Johnson to approve the December 6, 2018 Accounts Payable. Members voting in favor: Chamberlain, Zanmiller, Skog, Johnson, Dee. Motion carried.

6.2 **November 30, 2018 Financial Report**

18.136 Motion by Dee, second by Johnson to accept the November 30, 2018 Financial Report, subject to audit. All members voting in favor. Motion carried.

7. **Rural Lands Committee**

7.1 **Authorization to Provide Final Payment to Angela Beissel for Installation of Water and Sediment Control Basins**

Coudron stated that Angela Beissel has completed installation of two water and sediment control basins. He stated that runoff had eroded gullies through the fields. A pipe was used to construct an underground outlet to convey water down the slope and minimize erosion. Embankments were constructed near the top of the slope to capture and slowly release runoff. The basins will reduce future erosion and sedimentation. The project was approved for funding at the April 5, 2018 Board meeting at 75% cost share not to exceed $27,300 and based on a cost estimate of $36,400. The contract was amended at the November 1, 2018 Board meeting to extend the completion deadline to December 6, 2018. The final project cost was $32,844.75.

18.137 Motion by Chamberlain, second by Johnson to approve final payment to Angela Beissel (18-IPP-06) for installation of two water and sediment control basins in Section 1, Hampton Township, Vermillion River Watershed at $24,633.56 not to exceed 75%. Members voting in favor: Zanmiller, Skog, Johnson, Dee, Chamberlain. Motion carried.

7.2 **Authorization to Provide Final Payment to Nick Weiland for Installation of Grassed Waterway**

Coudron stated that Nick Weiland has completed installation of 1,000 foot grassed waterway. Gully erosion was occurring outside of an existing grassed waterway where sediment had built up and prevented runoff from reaching the waterway. Trees were removed from the project area before constructing the redesigned waterway. The grassed waterway was shaped and seeded with a perennial grass mixture immediately after grading. Straw mulch and erosion control blanket was installed to protect the bare soil until vegetation establishes. Basically, a full reconstruction of the waterway was completed to restore function and reduce future erosion. The project was approved for funding at the August 2, 2018 Board meeting at 75% cost share not to exceed $7,875 and based on a cost estimate of $10,500. Final project cost was $13,552.60.

18.138 Motion by Chamberlain, second by Johnson to approve final payment to Nick Weiland (18-IPP-08) for installation of grassed waterway in Section 3, Hampton Township, Vermillion River Watershed at $7,875 not to exceed 75%. Members voting in favor: Skog, Johnson, Dee, Chamberlain, Zanmiller. Motion carried.

7.3 **Authorization to Amend Contract with Angela Beissel for Installation of Grassed Waterway**

Coudron stated that Angela Beissel has started construction of a grassed waterway; however, the weather has prevented final grading, seeding, and stabilization of the project. Angela Beissel is requesting a contract extension to allow for completion of the waterway. The contract amendment would extend the contract completion date from December 6, 2018 to June 1, 2019. No other changes to the cost share contract are proposed.

18.139 Motion by Chamberlain, second by Dee to amend contract with Angela Beissel (18-IPP-14) to revise the completion date to June 1, 2019. All members voting in favor. Motion carried.
8. Community Development Committee

8.1 Authorization to Submit Application to the Minnesota Conservation Corps for Crew Labor Program

Coudron stated that Minnesota SWCDs will again have the opportunity to apply for crew labor from the Minnesota Conservation Corps in 2018. Applications are due December 15th. The crew labor program involves obtaining “hands on” labor crews to assist with project installations and maintenance over a period of days or weeks. The application does not request a funding amount. Rather it requests a number of days you will need labor crews to complete specific projects. He noted that this request is approximately 26 crew days. Staff is currently coordinating with Dakota County Parks Department to prioritize projects and draft applications for crew labor that would look to install new stormwater components at county facilities and provide improvements to existing stormwater practices.

18.140 Motion by Chamberlain, second by Johnson to authorize submittal, and execute if awarded, grant applications to the Conservation Corps of Minnesota for Conservation Corps Crew Labor. Motion carried.

8.2 Landscaping for Clean Water Program Year-End Summary

Dengate provided the 2018 Landscaping for Clean Water Program Summary. She stated that 20 workshops were held, 302 individuals attended an introductory workshop and 172 households attended the design courses. Staff completed 82 native plantings or rainwater garden layouts and 68 were successfully finished. She added that over the 11 years of the program; there were 4,194 workshop participants and 494 projects installed. She also provided some results from the participant survey.

9. Finance Committee

8.1 Adopt 2019 Health and Dental Benefits

Watson stated the premiums for health and dental plans are shared by participating employees and the SWCD as the employer. The health and dental plans that were offered last year are available again this year. Health insurance costs are increasing 4.20% and 4.03% based on the plan selected. However, the family deductible amounts will be lower in 2019. Dental insurance is increasing 3%. The Finance Committee recommendation is to retain Preferred One for medical insurance and Health Partners for dental insurance. As well as holding the employee monthly cost the same as last year, however, lowering the HSA employee credit due to the lower deductibles. Two medical plan options will be available to employees to include: G.PIC 1500.100.25 Option and the G.PIC 2000.100 HSA Option. It is further recommended that the following health and dental benefits employee costs for 2019 are:

<table>
<thead>
<tr>
<th>Health Insurance</th>
<th>Employee Monthly Cost</th>
<th>HSA Plan Employee Credit</th>
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<tbody>
<tr>
<td>Single</td>
<td>$35</td>
<td>$1,000</td>
</tr>
<tr>
<td>Single Plus One (child)</td>
<td>$150</td>
<td>$2,700</td>
</tr>
<tr>
<td>Single Plus One (spouse)</td>
<td>$170</td>
<td>$2,700</td>
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<tr>
<td>Family</td>
<td>$325</td>
<td>$3,000</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Dental Insurance</th>
<th>Employee Monthly Cost</th>
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<tbody>
<tr>
<td>Single</td>
<td>$20</td>
</tr>
<tr>
<td>Family</td>
<td>$40</td>
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18.141 Motion by Dee, second by Johnson to select PreferredOne (Medical) ad Health Partners (Dental) as insurance providers for 2019, with the costs listed above. All members voting in favor. Motion carried.

Dee added that the Finance Committee felt as long as the insurance costs remain down; we are in favor of keeping the SWCD plan, knowing that there may be the option to join the county plan in the future.

8.2 Adopt 2019 Merit Compensation Policy and Plan

Watson stated that the 2019 Merit Compensation Policy and Plan was approved by the Dakota County Board of Commissioner’s at their November 27 meeting. The 2019 Merit Compensation Policy and Plan is based on the need to provide compensation for employees to reflect market considerations within projected budget limitations. The SWCD has adopted Dakota County’s Merit Compensation Policy and Plan.
by reference but takes independent action to approve salary increases as indicated under the Merit Matrix chart (Page 9). The 2019 salary ranges (Page 10) reflect a 2% cost of living increase. The 2019 Merit Matrix (Page 9) includes salary increase of 0% to 6.5% based on employee performance and where the employee is on the salary range of the position classification. It also includes a lump sum where employees are above the midpoint of salary range. Based on current 2018 budget projections and 2019 anticipated budget, the Finance Committee recommends adoption of the 2019 Merit Compensation Policy and Plan as approved by the Dakota County Board of Commissioners.

18.142 Motion by Dee, second by Johnson to approve the 2019 Merit Compensation Policy and Plan as presented. All members voting in favor. Motion carried.

8.3 Adopt 2019 Budget
Watson stated that Staff has updated the draft 2019 budget which was presented at the November Board meeting. Both anticipated revenues and expenses for 2019 have increased approximately 1% from 2018. The proposed 2019 budget estimates $1,457,965 in revenue and $1,454,100 in expenses with a net budget increase of $3,865. The budget will change during the year. The forecasted budget is based on past history with our partnering organizations under fee for service programs as well as known revenues or expenses. Different than in previous years, we have no competitive grant applications pending that might impact our 2019 and future year budgets if awarded. Rather, with the new watershed based funding approach, we have incorporated to the best of our knowledge what anticipated revenues and expenses can be expected over the course of 2019.

Watson noted that revenue line items were added for watershed based funding agreements with the Eagan-Inver Grove Heights WMO, Lower Mississippi River WMO, and the North Cannon River WMO.

8.143 Motion by Dee, second by Johnson to adopt the 2019 Budget as presented. All members voting in favor. Motion carried.

10. Personnel Committee
10.1 Authorization to Fill Vacancy
Watson stated that the Personnel Committee met after the October Board meeting to discuss our current organizational structure which includes 11-full time positions. Due to the resignation of our Program Specialist, we have had a vacancy since September. The Finance Committee met on October 31 to review our draft 2019 budget and further discuss staffing options and filling the existing vacancy. There was consensus to fill the vacancy with a support staff position that can assist with day to day operations of the office. Upon authorization to fill the vacancy, coordination with Dakota County Employee Relations will occur to begin the hiring process. It is anticipate that the position would be filled by mid-February or early March.

18.144 Motion by Chamberlain, second by Dee to authorizing the filling of the support staff vacancy, in coordination with Dakota County Employee Relations. All members voting in favor.

11. Committee of the Whole
11.1 Authorization to Execute Agreement with the Lower Mississippi River Watershed Management Organization
Barten stated the staff has drafted and presented a 2019 work plan and budget to the Lower Mississippi River Watershed Management Organization (LMRWMO) Board of Managers. The work plan and budget includes administration, education and outreach, and technical assistance and project implementation, and water quality monitoring services to the LMRWMO for the 2019 calendar year. The work plan and budget includes a total agreement not to exceed $51,040. The LMRWMO approved the 2019 work plan and budget at their November 14 meeting.
Motion by Chamberlain, second by Johnson to approve and authorize execution of 2019 agreement with the Lower Mississippi River Watershed Management Organization. All members voting in favor. Motion carried.

**11.2 Authorization to Execute Agreement with the Lower Mississippi River Watershed Management Organization for Implementing FY19 Watershed Based Funding Grant from Board of Water and Soil Resources**

Barten stated that staff has drafted and presented a work plan to the Lower Mississippi River Watershed Management Organization (LMRWMO) Board of Managers to assist with implementing their FY19 BWSR grant under the pilot watershed based funding program. The work plan includes grant administration, project development, and education services. The work plan and budget includes a total amount not to exceed $37,880. The LMRWMO Board approved the 2018-2021 work plan and budget at their November 14, 2018 meeting. The term of the agreement will coincide with the BWSR grant agreement, which is 3 years, ending on December 31, 2021.

Motion by Chamberlain, second by Johnson to approve and authorize execution of 2018-2021 agreement with the Eagan Inver Grove Heights Watershed Management Organization. All members voting in favor. Motion carried.

**11.3 Authorization to Execute Agreement with the North Cannon River Watershed Management Organization**

Watson stated the staff has drafted and presented a 2019 work plan and budget to the North Cannon River Watershed Management Organization (NCRWMO) Board of Managers. The work plan and budget includes administration, education and outreach, water quality monitoring and implementation of cost share dollars for the NCRWMO during the 2019 calendar year. The work plan and budget includes a total agreement not to exceed $27,498. The NCRWMO Board approved the 2019 work plan and budget at their November 14, 2018 meeting.

Motion by Dee, second by Skog to approve and authorize execution of 2019 agreement with the North Cannon River Watershed Management Organization. All members voting in favor. Motion carried.

**11.4 Authorization to Execute Agreement with the North Cannon River Watershed Management Organization for Implementing FY19 Watershed Based Funding Grant from Board of Water and Soil Resources**

Watson stated that Staff has drafted and presented a work plan to the North Cannon River Watershed Management Organization (NCRWMO) Board of Managers to assist with implementing their FY19 BWSR grant under the pilot watershed based funding program. The work plan includes grant administration, project development, agricultural practices, a subwatershed analysis and drainage water management outreach. The work plan and budget includes a total agreement not to exceed $136,520. The NCRWMO Board approved the 2018-2021 work plan and budget at their November 14, 2018 meeting. The term of the agreement will coincide with the BWSR grant agreement which is 3 years or December 31, 2021.

Motion by Johnson, second by Chamberlain to approve and authorize execution of 2018-2021 agreement with the North Cannon River Watershed Management Organization. All members voting in favor. Motion carried.

**11.5 Authorization to Execute Agreement with the Black Dog Watershed Management Organization**

Albright stated the staff has drafted and presented a 2019 work plan and budget to the Black Dog Watershed Management Organization (BDWMO). The work plan and budget includes Education and Outreach and Project Implementation services for the 2019 calendar year. The work plan and budget includes a total agreement amount not to exceed $25,400. The BDWMO Board approved the 2019 work plan and budget at their May 16 meeting and as part of their budgeting process.
18.149 Motion by Johnson, second by Skog to approve and authorize execution of 2019 agreement with the Black Dog Watershed Management Organization. All members voting in favor. Motion carried.

11.6 Authorization to Execute 5-Year Joint Powers Agreement with Dakota County
Watson stated staff has been working with County staff to revise our existing 5-year joint powers agreement (JPA) which expires at the end of calendar year 2018. The JPA outlines services the County provides to SWCD and services the SWCD provides to Dakota County. This is the 4th generation five-year agreement with Dakota County which was first established in 2004. There have been some changes to this version of the JPA. Highlights include:

- The SWCD can now also utilize County Physical Development Division staff for fee-for-service technical assistance.
- A provision was added that allows both County and SWCD to enter into one or more separate agreements when funds have been allocated through annual budget process; this was done for addressing grants that may be obtained during the five-year term that are not anticipated under Attachment 1.
- SWCD provision of County Agricultural Inspector Services to the County was reinstated (Appendix A).
- SWCD and County provision of services on fee-for-service basis was updated (Appendix D).
- Attachment 1 was modified to eliminate specific references to programs and cost estimates over the 5-year term. The total 2019 charges for services the SWCD can provide to Dakota County is capped at $250,000. However, in subsequent years this cap can be modified pending outcomes of annual budget process.

The Dakota County Board of Commissioners approved the JPA at their November 27 meeting.

Dee added that continuing this agreement is a result of the relationship that has been established between the SWCD and the County and she commended staff for that.

18.150 Motion by Chamberlain, second by Johnson to execute the 5-Year Joint Powers Agreement with Dakota County. All members voting in favor. Motion carried.

11.7 Establish Board Meeting Schedule for 2019
Watson stated that Board Meetings have been the first Thursday of the month for as long as he can recall. He further stated that with the meeting on the first Thursday, there are times when the District is at a slight disadvantage with some deadlines that occur during the year. Watson questioned the possibility of having the meetings on the second Thursday of the month.

Dee stated that she has a conflict with the second Thursday of the month through September of 2019. Chamberlain added that may have some potential conflicts with a few of the months during 2019. The preferred start time was 9:00 a.m. After some discussion, the consensus was to keep the schedule the same, with exceptions as needed.

18.151 Motion by Chamberlain, second by Johnson that the regular Board meetings for 2019 be scheduled for the first Thursday of the month at 9:00 a.m. The July Board Meeting was scheduled for Wednesday, July 3, 2019 due to the 4th of July Holiday on first Thursday of July. It was noted that meeting schedule is subject to change. All members voting in favor. Motion carried.

12. Announcements and Reports
Natural Resources Conservation Service
Michelle Wohlers provided the Natural Resources Conservation Services (NRCS) agency report. She stated that the EQIP program deadline is January 18, 2019. They will have one month to rank and score all applications received. The NRCS will also internally prioritize the applications they receive. The guidelines for prioritization have not been announced.
Wohlers added that the Farm and Ranchland Easement reviews have been released and they will all be completed off-site this year.

Troy Daniels was at the NRCS office last week to learn about the programs in Dakota, Washington and Ramsey. He had a chance to see the new GSA spacing guidelines in person.

Statewide, the NRCS is working under four areas, reduced from six. When the re-organization is finalized they will have eight to ten staff, for their team of seven counties, to address the clients. The Area Team Lead to be housed in Faribault has not been advertised yet.

Watson added that he would like to discuss the possibility of working together with funding opportunities and coordinating deadlines.

**Dakota County**

Brad Becker provided the Dakota County report. He stated that in 2012, the County enforced 50 buffers on public waters within county jurisdiction; which is the shoreland and floodplain areas in townships, not cities. The County partnered with SWCD on enforcing the buffer rule. Then in 2014, a statewide initiative required 50 buffers on all public waterways and 16 foot buffers on ditches statewide. In 2017, the State determined that counties must enforce the buffer rule or the State would take over enforcement. At that time, the County elected to enforce the buffer rule. Over last winter and spring, the county and SWCD worked together to identify the need of buffers in cities. This included Farmington, Lakeville, Vermillion, and Hastings. An inventory was generated and landowners were contacted if they were noncompliant. The State allowed a waiver to defer installation from June 1 to November 1, 2018. With this November 1 deadline, he noted that all but 12 parcels have been seeded with buffers. Staff are now working with those landowners to develop a contract, with stipulations, such as prior to planting row crops this spring they must plant their buffers. They anticipate full compliance should be reached by this spring.

Becker also stated that annually, they hire a contractor to complete the aerial photography for the rural areas. The timeline for this is after harvest and prior to snow fall; it takes about four days to complete, and blue skies are preferred. He added there was not enough blue skies this fall to complete the aerial imagery.

Becker stated that they are partnering with county transportation to generate 14 “Cannon River Crossing” signs to be placed were DNR protected waters that cross state highways. The final details for the signage are in process and on schedule for spring completion.

**Metropolitan Conservation Districts Joint Powers Board**

Zanmiller provided the Metropolitan Conservation District Joint Powers Board report. She stated that the meeting was held on November 28 and the afternoon snow caused many delays and absences. However, a quorum was reached. The FY19 NPEAP and the FY19 ESTS Grant Agreement and Work Plans were approved.

The agreement with the Minnesota Department of Agriculture to be a regional partner and assist with the Minnesota Agriculture Water Quality Certification Program was extended from December 31, 2018 to December 31, 2019.

Zanmiller noted that Chair Zabel sent a letter to the Ramsey County Commissioners inviting them to the meetings and ask that they appoint a commissioner to represent them.

**Minnesota Association of Soil and Water Conservation Districts**

Zanmiller reported on the Mero Area (Area 4) meeting held on November 16. She stated that Doug Schoenecker, Scott SWCD Supervisor was elected as the Area 4 Director. Troy Daniel spoke about the NRCS reorganization that is currently underway. Teresa McDill, MPCA along with Brian Livingston, Supervisor of East Central Watershed Unit presented on Statewide Chloride Management, TMDLS and 1W1P Concerns, and 319 Focus Changes.
Tom Gile provided updates on the State Buffer Law Compliance and Soil Loss Ordinance. Leann Buck provided updates on MASWCD activities. Lastly, Doug Thomas spoke about BWSR audits. He also stated that there is funding available to support Districts hosting field days.

Watson distributed information on the MASWCD Annual Meeting scheduled for December 9-11.

**Cannon River One Watershed, One Plan Policy Committee**

There was no Cannon River One Watershed, One Plan Policy Committee report.

**District Managers Report**

Watson congratulated Dee and Johnson on their re-election to the SWCD Board. Watson also requested to schedule the second meeting for December.

**18.152** Motion by Chamberlain, second by Johnson to schedule a Special Board Meeting for Thursday, December 20 at 9:00 a.m. All members voting in favor. Motion carried.

**Board of Supervisors Report**

There no Board of Supervisor reports.

**13. Upcoming Meetings and Events**

Zanmiller noted upcoming events.

**14. Adjourn**

**18.153** Motion by Dee, second by Skog to adjourn the meeting. All members voting in favor. Motion carried.

The meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Chelsea Skog, Secretary
Meeting Date: 12/20/2018
Prepared by: Curt Coudron

PURPOSE/ACTION REQUESTED:
Authorization to provide final payment of $2,520 to Nick Weiland for the establishment of cover crops.

SUMMARY:
Nick Weiland has completed the installation of cover crops on 24 acres in Section 3 of Hampton Township located in the Vermillion River Watershed.

The project was approved for funding at the October 4, 2018 Board meeting with an incentive payment not to exceed $2,520. The payment is equal to $35 per acre for 24 acres over a period of three years. Based on our adopted cost share policy, payment for the entire contract will occur after installation of cover crops during the first year.

A cover crop of winter cereal rye was planted after crops were harvested. Project installation has been certified by SWCD staff. SWCD staff will verify installation of cover crops in 2019 and 2020.

EXPLANATION OF FISCAL/FTE IMPACT:
Project funds are available through our annual work plan with the Vermillion River Watershed Joint Powers Organization and State grants.

Supporting Documents:
Nick Weiland CC Factsheet

Previous Board Action:
Motion 18.111 on 10/4/2018
Authorization to Execute Contract
**BENEFITS:**
- 7.2 tons of soil per year prevented from traveling downstream
- 7.2 lbs. of phosphorous per year prevented from traveling downstream

**PARTNERS:**
- Minnesota Board of Water and Soil Resources
- Vermillion River Watershed Joint Powers Organization

**RECEIVING WATERS:**
- Vermillion River

**PROJECT FACTSHEET 18-IPP-15**

**Nick Weiland**

**Cover Crops**

**PROJECT:** Cover crops were planted on 24 acres after soybean harvest. Cover crops will be installed on the field for two additional years. Cover crops reduce erosion, retain nutrients, and help to improve soil health.

**FUNDING:** Incentive Amount: $2,520

(24 acres x $35 per acre x 3 yrs.)

**LOCATION:** Hampton Township

**INSTALLATION:** Fall 2018-2020

**PRACTICE:**
- Cover Crops

**WATERSHED:**
- Vermillion River
Rye cover crop was seeded with a no-till drill at the end of September. The seed will continue to grow after winter and protect the soil in the spring.
PURPOSE/ACTION REQUESTED:
Authorization to amend agreement with the Lower Mississippi River Watershed Management Organization for services related to implementing a FY16 grant from the Minnesota Board of Water and Soil Resources.

SUMMARY:
The Lower Mississippi River Watershed Management Organization (LMRWMO) was awarded a FY16 Clean Water Fund grant for two separate activities. The SWCD assisted the LMRWMO with developing the applications, obtaining work plan approvals, and executing a single grant agreement with the Minnesota Board of Water and Soil Resources (BWSR).

The executed BWSR grant with the LMRWMO includes the following activities:
1. Alum treatments in Lake Augusta located in the City of Mendota Heights and Sunfish Lake located in the City of Sunfish Lake
2. Stormwater improvements to Thompson Lake located in the City of West St. Paul

In June of 2016, the SWCD executed an agreement with the LMRWMO for services related to implementing these activities under the grant award. This agreement identified grant administration and project development tasks to be performed by the SWCD at a cost not to exceed $42,900.

In March of 2017, both the LMRWMO and SWCD Board approved an amended agreement with additional services related to education and outreach and stakeholder participation. This amended agreement increased the level of services provided by the SWCD and the not to exceed amount to $74,850.

The FY16 BWSR grant that the LMRWMO is working under has a completion deadline of December 31, 2018. Work is still ongoing under both activities and the LMRWMO requested a one year grant extension from BWSR to complete the work. This grant extension has been approved and executed by the LMRWMO and the BWSR.

The current agreement between the LMRWMO and the SWCD for services related to the grant also has a deadline of December 31, 2018. The LMRWMO Board approved amending our existing agreement at their November 14, 2018 meeting by extending it to December 31, 2019.

EXPLANATION OF FISCAL/FTE IMPACT:
Services to the LMRWMO will be added to the SWCD Budget and staff work plan for 2019.

Supporting Documents:
2016-2019 SWCD Clean Water Fund Grant Work Plan and Budget

Previous Board Action:
Motion 16.058 on 5/5/16
Authorization to execute JPA

Motion 17.028 on 3/2/17
Authorization to amend JPA
**Thompson Lake Stormwater Improvement Grant**

<table>
<thead>
<tr>
<th>Grant Administration</th>
<th>COST ESTIMATE</th>
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<tbody>
<tr>
<td>● Manage the grant and provide overall administration of funds, match requirements, and grant reporting.</td>
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<tr>
<td>● Coordinate with State Agency contacts regarding all aspects of the grant.</td>
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<tr>
<td>● Maintain program and project files to include appropriate documents as reference. Maintain financial</td>
<td>200 hours @ $75/hour = $15,000</td>
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<tr>
<td>records to include all revenue and expenses associated with this grant, as well as expenditures on</td>
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<tr>
<td>projects.</td>
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<tr>
<td>● Provide entries and status reporting into the eLINK system. Provide website support to follow BWSR</td>
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<tr>
<td>website grant reporting requirements.</td>
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<tr>
<td>● Maintain records for a minimum of six years beyond the life expectancy of the installed practices.</td>
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<thead>
<tr>
<th>Project Development</th>
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<tbody>
<tr>
<td>● Coordinate with stakeholders and property owners to determine the roles and responsibilities for</td>
<td></td>
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<tr>
<td>contracting, design and engineering, construction, and O&amp;M.</td>
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<tr>
<td>● Coordinate meetings with the LMRWMO, City of West St. Paul, and Dakota County on details of the</td>
<td>200 hours @ $75/hour = $15,000</td>
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<tr>
<td>stormwater improvement project which include but are not limited to: beginning the permitting</td>
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<td>process for the project, coordinating timing of the stormwater improvement project installation</td>
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<td>with potential county PAH removal project, and preparing the scope of work and RFP for project</td>
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<tr>
<td>engineering, design, permitting, and construction administration.</td>
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<tr>
<td>*This task may be shared with the LMRWMO engineering consultant or other consultants as requested by the</td>
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<td>Administrator and coordinated as to stay within the budgeted grant work plan amount.*</td>
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<thead>
<tr>
<th>Education and Outreach</th>
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<tbody>
<tr>
<td>● Coordinate the creation of educational signage to be incorporated into the project plans in</td>
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<tr>
<td>collaboration with Dakota County Parks, to inform park patrons of the details of the project and the</td>
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<tr>
<td>importance and function of stormwater best management practices. Signage will also recognize</td>
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<tr>
<td>contributors to the project and advertise the role of BWSR, the LMRWMO, Dakota County, and City of</td>
<td></td>
</tr>
<tr>
<td>West St. Paul in protecting the high value water resources available to the public.</td>
<td></td>
</tr>
</tbody>
</table>
- Coordinate with the Dakota County and West St. Paul for a “grand opening” style event to be held following project completion to raise awareness of water quality protection, the LMRWMO, and the project itself.
- Develop informational materials on the Thompson Lake improvement efforts and have available or mail to residents and commercial properties within the watershed.
- Assist the Friends of the Mississippi River in implementing the rain barrel program, which will reduce stormwater volume and offer rain barrels to interested residents at reduced cost.
- Investigate educational opportunities with St. Croix Lutheran School, located on the west side of Thompson Lake, to educate and engage students ranging from 6th grade to 12th grade regarding stormwater management and water quality protection. Coordinate with school staff to develop and inform educational signage or curriculum.

*This task may be shared with the LMRWMO engineering consultant or other consultants as requested by the Administrator and coordinated as to stay within the budgeted grant work plan amount.*

<table>
<thead>
<tr>
<th>Subtotal</th>
<th>$42,000</th>
</tr>
</thead>
</table>

### Sunfish Lake and Lake Augusta Alum Treatment Grant

#### Grant Administration
- Manage the grant and provide overall administration of funds, match requirements, and grant reporting.
- Coordinate with State Agency contacts regarding all aspects of the grant.
- Maintain program and project files to include appropriate documents as reference. Maintain financial records to include all revenue and expenses associated with this grant, as well as expenditures on projects.
- Provide entries and status reporting into the eLINK system. Provide website support to follow BWSR website grant reporting requirements.
- Maintain records for a minimum of six years beyond the life expectancy of the installed practices.

106 hours @ $75/hour = $7,950

#### Project Development
- Coordinate with stakeholders and property owners to determine the roles and responsibilities for contracting, design and engineering, construction, and O&M.
- Coordinate meetings with Sunfish Lake homeowners, coordinate contracting for matching funds with BWSR, City, and homeowners.
- Coordinate meetings with Lake Augusta homeowners, Resurrection Cemetery, coordinate contracting for matching funds with BWSR, City, and homeowners.

200 hours @ $75/hour = $15,000
- Prepare the scope of work and RFP for project dosing, engineering, design, permitting, and oversight.
  *This task may be shared with the LMRWMO engineering consultant and coordinated as to stay within the budgeted grant work plan amount.*

**Augusta Stakeholder Participation**
- Plan, coordinate, and attend a community meeting with stakeholders. Targeted mailings will go out to residents informing them of the meeting. Technical representatives attending the meeting will include LMRWMO, consultant, City, and potentially State Agency staff.
- These meetings will provide a question and answer opportunity for the public to learn from professionals about the alum treatment, the process, timeline, and allow an open dialogue for all involved in the project.
  *This task may be shared with the LMRWMO engineering consultant or other consultants as requested by the Administrator and coordinated as to stay within the budgeted grant work plan amount.*

53 hours @ $75/hour = $3,975

**Sunfish Stakeholder Participation**
- Plan, coordinate, and attend a community meeting with stakeholders. Targeted mailings will go out to residents informing them of the meeting. Technical representatives attending the meeting will include LMRWMO, consultant, City, and potentially State Agency staff.
- These meetings will provide a question and answer opportunity for the public to learn from professionals about the alum treatment, the process, timeline, and allow an open dialogue for all involved in the project.
  *This task may be shared with the LMRWMO engineering consultant or other consultants as requested by the Administrator and coordinated as to stay within the budgeted grant work plan amount.*

53 hours @ $75/hour = $3,975

**Sunfish Lake Rain Barrel Program**
- Assist the Friends of the Mississippi River in implementing the rain barrel program which will reduce stormwater volume and offer rain barrels to interested residents at reduced cost.

26 hours @ $75/hour = $1,950

<table>
<thead>
<tr>
<th>Subtotal</th>
<th>$32,850</th>
</tr>
</thead>
</table>

**Total Agreement Not To Exceed** $74,850

Note: Additional items pertaining to the grant may be required of the SWCD during the grant period and individual grant budget amounts may change as the grant progresses. At that time, this work plan will then be amended and re-executed by the LMRWMO and SWCD.
Meeting Date: 12/6/2018  
Prepared by: Brian Watson  

PURPOSE/ACTION REQUESTED:  
Review and accept financial audit for fiscal year 2017.  

SUMMARY:  
At the January 2018 Board Meeting, the Board of Supervisors approved entering into an engagement letter with Peterson Company, Ltd. to perform the financial audit for fiscal year ending December 31, 2017. The audit was full scope in nature, resulted in audited financial statements, provided auditor's opinion on the financial statements, and reported on internal control and compliance.  

During the audit it was revealed that we did not have sufficient collateral to comply with Minnesota Statute. We contacted the Castle Rock Bank and obtained sufficient collateral back in May of 2018. The audit report under Subd. 7 identified this noncompliance issue and that it has been corrected.  

The Office of the State Auditor has completed their review and approval process. They noted two items that Peterson Company Ltd. needs to correct prior to proceeding with final issuance of the audit report. Peterson Company, Ltd is in the process of making these changes and proceeding with the final issuance of the report.  

EXPLANATION OF FISCAL/FTE IMPACT:  
The cost to complete the financial audit for fiscal year ending December 31, 2017 has been included in our annual budget.  

Supporting Documents:  
Audit Report Summary Letter from Peterson Company Ltd.  
2017 Audit Report from Peterson Company Ltd.  

Previous Board Action:  
Motion 17.036 on 04/06/2017  
Authorization to Perform Audit
November 21, 2018

Michael Peterson, CPA
Peterson Company Ltd.
Certified Public Accountants
580 Cherry Drive
Waconia, MN 55387

Dear Mr. Peterson:

We have completed our review of your draft report on the Dakota Soil and Water Conservation District (SWCD) for the year ended December 31, 2017. We noted the following items:

- On page 11, the note on deferred outflows and inflows is slightly incorrect. Specifically, the deferred inflows of resources for pensions actually includes more than just the differences between projected and actual earnings on plan investments. Also, the pension deferred inflow amounts actually represent a future reduction of pension expense rather than a revenue.
- Please reconsider the cause and effect of finding 2017-002. The effect would be that they were not in compliance with State Statute and that they were exposed to custodial credit risk, which would require note disclosure.

We also noted the following trivial items, which are provided for your consideration:

- On page 6 under Contacting the District’s Financial Management considering adding a comma after customers, “…provide our citizens, customers, and creditors…”
- On page 7, in the Statement of Net Position and Governmental Fund Balance Sheet, consider removing the “s” on investments to say “Investment in Capital Assets.”
- On page 10, under the “Assets” heading, consider adding information regarding receivables (accounts receivable and due from other governments - composition, allowances if applicable, etc.)

After considering the above items, you may proceed with the final issuance of the report. If your firm is responsible for report distribution, please send a final copy to my attention. The final may be issued by paper copy or PDF. Thank you for your cooperation. If you have any questions, please give me a call at (651) 296-4715.

Sincerely,

/S/

Tom Karlson, CPA
Manager of Standards and Procedures

cc: Dakota SWCD
    Jeremy Olson, BWSR
DAKOTA COUNTY SOIL AND WATER
CONSERVATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017
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**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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<thead>
<tr>
<th>FINANCIAL SECTION</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1</td>
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<tr>
<td>Management’s Discussion and Analysis</td>
<td>3</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>BASIC FINANCIAL STATEMENTS</th>
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<tr>
<td>Statement of Net Position and Governmental Fund Balance Sheet</td>
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<td>Statement of Activities and Governmental Fund Revenues, Expenditures and Changes In Fund Balance</td>
<td>8</td>
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<tr>
<td>Notes to the Financial Statements</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REQUIRED SUPPLEMENTARY INFORMATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary Comparison Statement, Budget and Actual, General Fund</td>
<td>21</td>
</tr>
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<td>Schedule of Contributions</td>
<td>22</td>
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<td>Schedule of Proportionate Share of Net Pension Liability</td>
<td>22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADDITIONAL REPORTS</th>
<th></th>
</tr>
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<tr>
<td>Minnesota Legal Compliance</td>
<td>23</td>
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<td>Report on Internal Control</td>
<td>24</td>
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<tr>
<td>Schedule of Findings and Responses</td>
<td>26</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the Board of Supervisors
Dakota County Soil and Water Conservation District
Farmington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Dakota County Soil and Water Conservation District, Farmington, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Dakota County Soil and Water Conservation 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 Dakota County Soil and Water Conservation District as of December 31, 2017, and the respective changes in financial position 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 3–6, the budgetary comparison statement on page 21, and defined benefit pension plan schedules on page 22 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 May 8, 2018, on our consideration of the Dakota County 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 Dakota County Soil and Water Conservation District’s internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

May 8, 2018
The Dakota County 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, 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources — 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:

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$ 1,448,398</td>
<td>$ 1,215,517</td>
</tr>
<tr>
<td>Capital Assets, net of depreciation</td>
<td>21,283</td>
<td>16,178</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>166,802</td>
<td>359,579</td>
</tr>
<tr>
<td>Combined Assets and Deferred Outflows of Resources</td>
<td>$ 1,636,483</td>
<td>$ 1,591,274</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$ 657,240</td>
<td>$ 473,585</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>748,009</td>
<td>925,311</td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>118,369</td>
<td>85,350</td>
</tr>
<tr>
<td>Combined Liabilities and Deferred Inflows of Resources</td>
<td>$ 1,523,618</td>
<td>$ 1,484,246</td>
</tr>
<tr>
<td>Investment in Capital Assets</td>
<td>$ 21,283</td>
<td>$ 16,178</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>91,582</td>
<td>90,850</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$ 112,865</td>
<td>$ 107,028</td>
</tr>
</tbody>
</table>

Net position of the District’s governmental activities increased by $5,837. 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 $90,850 at December 31, 2016 to $91,582 at December 31, 2017.
Change in Net Position:

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental</td>
<td>$1,146,446</td>
<td>$1,355,114</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>9,747</td>
<td>8,775</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>10,571</td>
<td>9,091</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,563</td>
<td>1,564</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$1,168,327</strong></td>
<td><strong>$1,374,544</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation</td>
<td>$1,162,490</td>
<td>$1,344,721</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$1,162,490</strong></td>
<td><strong>$1,344,721</strong></td>
</tr>
</tbody>
</table>

Increase (decrease) in Net Position: $5,837 $29,823

The District’s total revenues increased by $206,217. The total cost of programs and services decreased by $182,231.

**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 $791,158, which is above last year’s total of $741,932.

**General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were $153,263 below the final budgeted amounts. The most significant negative variance of $253,792 occurred in State Revenue. The most significant positive variance of $219,808 occurred in County Revenue.

**CAPITAL ASSETS & LONG-TERM LIABILITIES**

**Capital Assets**

At the end of 2017, the District had $21,283 invested in capital assets. This amount represents a net increase (including additions and deletions) of $5,105 from last year.

**Long-Term Liabilities**

At the end of 2017, the District had $77,696 in accrued compensated absences and $670,313 in Net Pension Liability. This compares to $72,763 in 2016 for accrued compensated absences and $852,548 in 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 Dakota County Soil and Water Conservation District at 4100 220th Street West, Suite 102, Farmington, MN 55024. The phone number is 651-480-7777.
### DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
#### FARMINGTON, MINNESOTA
#### STATEMENT OF NET POSITION AND
#### GOVERNMENTAL FUND BALANCE SHEET
#### DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Adjustments</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,347,948</td>
<td>$ -</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>49,083</td>
<td>-</td>
</tr>
<tr>
<td>Due from Other Governments</td>
<td>51,367</td>
<td>-</td>
</tr>
<tr>
<td>Capital Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment (net of accumulated depreciation)</td>
<td>-</td>
<td>21,283</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,448,398</td>
<td>21,283</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined Benefit Pension Plan</td>
<td>-</td>
<td>166,802</td>
</tr>
<tr>
<td><strong>Combined Assets and Deferred Outflows of Resources</strong></td>
<td>$1,448,398</td>
<td>$188,085</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$2,370</td>
<td>$ -</td>
</tr>
<tr>
<td>Due to Other Governments</td>
<td>3,829</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Wages</td>
<td>30,150</td>
<td>-</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>620,891</td>
<td>-</td>
</tr>
<tr>
<td>Long-term Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>-</td>
<td>670,313</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>-</td>
<td>77,696</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>657,240</td>
<td>748,009</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined Benefit Pension Plan</td>
<td>-</td>
<td>118,369</td>
</tr>
<tr>
<td><strong>Combined Liabilities and Deferred Inflows of Resources</strong></td>
<td>$657,240</td>
<td>$866,378</td>
</tr>
<tr>
<td><strong>Fund Balance/Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigned - Compensated Absences</td>
<td>$77,696</td>
<td>$(77,696)</td>
</tr>
<tr>
<td>Unassigned</td>
<td>713,462</td>
<td>(713,462)</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$791,158</td>
<td>$(791,158)</td>
</tr>
<tr>
<td>Net Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Capital Assets</td>
<td>$21,283</td>
<td>$ -</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>91,582</td>
<td>-</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$112,865</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Notes are an integral part of the basic financial statements.
### DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
### FARMINGTON, MINNESOTA
### STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
### FOR THE YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General Fund</th>
<th>Adjustments</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental</td>
<td>$ 1,146,202</td>
<td>$ 244</td>
<td>$ 1,146,446</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>9,747</td>
<td>-</td>
<td>9,747</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>10,571</td>
<td>-</td>
<td>10,571</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,563</td>
<td>-</td>
<td>1,563</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 1,168,083</td>
<td>$ 244</td>
<td>$ 1,168,327</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures/Expenses</th>
<th>General Fund</th>
<th>Adjustments</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$ 1,107,132</td>
<td>$ 55,358</td>
<td>$ 1,162,490</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>11,725</td>
<td>(11,725)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures/Expenses</strong></td>
<td>$ 1,118,857</td>
<td>$ 43,633</td>
<td>$ 1,162,490</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess of Revenues Over (Under) Expenditures/Expenses</th>
<th>$ 49,226</th>
<th>$ (43,389)</th>
<th>$ 5,837</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance/Net Position January 1</td>
<td>$ 741,932</td>
<td>$ (634,904)</td>
<td>$ 107,028</td>
</tr>
<tr>
<td>Fund Balance/Net Position December 31</td>
<td>$ 791,158</td>
<td>$ (678,293)</td>
<td>$ 112,865</td>
</tr>
</tbody>
</table>

Notes are an integral part of the basic financial statements.
Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Dakota County 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 Dakota County 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 District. Due to redistricting in 2016, Supervisors representing Districts 1, 2 and 3 are serving four-year terms and Districts 4 and 5 are serving two-year terms. All five Supervisors just completed the first year of their terms.

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.

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.

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 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. 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.

Interest 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 District 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 District 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.

Receivables are collectible within one year.
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.

**Long-Term Liabilities**
Compensated Absences and Net Pension Liability are accounted for as an adjustment to net position.

**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 District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

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 (expense) until that time. The District has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period. They also include differences between expected and actual experience, changes in assumptions and changes in proportion, which are recognized over a four-year period.
Pensions
For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Classifications of Fund Balances
Fund balance is divided into five classifications based primarily on the extent to which the District 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 District 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 or 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 District 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.
Subsequent Events
In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 8, 2018, the date the financial statements were available to be issued.

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 District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date and reconciles to the amount reported in the Capital Assets Note.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absences and Net Pension Liability the District has as of the report date. See note on Long-Term Liabilities.

Depreciation, Net Pension Expense 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 net pension expense and the change in Compensated Absences between the reporting year and the previous year.

Flex Leave
Under the District’s personnel policies, employees are granted flex leave in varying amounts based on their length of service. Flex leave accrual varies from 160 to 304 hours per year. The limit on the accumulation of flex leave is 480 hours. Upon termination of employment from the District, employees are paid accrued flex leave hours.

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. Property and casualty liabilities and workers’ compensation are insured through Dakota County. Workers’ compensation is insured through State Fund Mutual (SFM) Insurance Company. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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.
DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 2 - Detailed Notes**

Capital Assets  

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Addition</th>
<th>Deletion</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$376,354</td>
<td>$11,725</td>
<td>$0</td>
<td>$388,079</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>360,176</td>
<td>6,620</td>
<td>0</td>
<td>366,796</td>
</tr>
<tr>
<td>Net Capital Assets</td>
<td>$  16,178</td>
<td>$21,283</td>
<td></td>
<td>$21,283</td>
</tr>
</tbody>
</table>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 5 to 10 years. Current year depreciation is $6,620.

The District uses the threshold of $1,000 for capitalizing assets purchased.

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, 2017, consists of the following: BWSR Cost Share Programs $59,916; Clean Water Funds $106,767; Service Grants $31,860; Local Capacity Funds $194,798; County WCA $72,859; Buffer Implementation $22,079; Buffer Cost Share $25,000; Community Initiative $81,082; Conservation Incentive $26,530; Total $620,891.

Long-Term Liabilities  
Changes in long-term liabilities for the period ended December 31, 2017 are:

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2017</th>
<th>Increases</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Pension Liability</td>
<td>$ 852,548</td>
<td>$ -</td>
<td>$ 670,313</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>72,763</td>
<td>4,933</td>
<td>77,696</td>
</tr>
<tr>
<td>Total</td>
<td>$ 925,311</td>
<td>$ 4,933</td>
<td>$ 748,009</td>
</tr>
</tbody>
</table>

Deposits  
Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, 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.
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. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional deposit policies addressing custodial credit risk. Of the $1,355,522 bank balances at December 31, 2017, $692,789 was neither insured, collateralized nor covered by FDIC.

**Note 3 - Defined Benefit Pension Plans**

**Plan Description**
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of the District are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**Benefits Provided**
PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.
General Employees Plan benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Contributions
Minnesota Statute Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2017. The District was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2017. The District’s contributions to the General Employees Fund for the year ended December 31, 2017, were $53,419. The District’s contributions were equal to the required contributions as set by state statute.

Pension Costs
At December 31, 2017, the District reported a liability of $670,313 for its proportionate share of the GERF’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled $8,437. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the District’s proportion share was .0105 percent, which was the same proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the District recognized pension expense of $43,561 for its proportionate share of General Employees Plan’s pension expense. In addition, the District recognized an additional $244 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of $6 million to the General Employees Fund.
Pension Costs (continued)
At December 31, 2017, the District reported its proportionate share of GERF’s deferred outflows of resources and deferred inflows of resources from the following sources:

<table>
<thead>
<tr>
<th>Differences between expected and actual economic experience</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 22,091</td>
<td></td>
<td>$ 42,949</td>
</tr>
<tr>
<td>Changes in actuarial assumptions</td>
<td>111,287</td>
<td>67,199</td>
</tr>
<tr>
<td>Difference between projected and actual investment earnings</td>
<td>4,113</td>
<td>-</td>
</tr>
<tr>
<td>Changes in Proportion</td>
<td>4,953</td>
<td>8,221</td>
</tr>
<tr>
<td>Contributions paid to PERA subsequent to the measurement date</td>
<td>24,358</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 166,802</strong></td>
<td><strong>$ 118,369</strong></td>
</tr>
</tbody>
</table>

The $24,358 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year ended December 31:</th>
<th>Pension Expense Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 23,970</td>
</tr>
<tr>
<td>2019</td>
<td>41,161</td>
</tr>
<tr>
<td>2020</td>
<td>(12,602)</td>
</tr>
<tr>
<td>2021</td>
<td>(28,454)</td>
</tr>
</tbody>
</table>

Actuarial Assumptions
The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

- Inflation 2.50 percent per year
- Active Member Payroll Growth 3.25 percent per year
- Investment Rate of Return 7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for General Employees Plan through 2044 and then 2.5 percent thereafter.
Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation (%)</th>
<th>Real Rate of Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Stocks</td>
<td>39</td>
<td>5.10</td>
</tr>
<tr>
<td>International Stocks</td>
<td>19</td>
<td>5.30</td>
</tr>
<tr>
<td>Bonds</td>
<td>20</td>
<td>0.75</td>
</tr>
<tr>
<td>Alternative Assets</td>
<td>20</td>
<td>5.90</td>
</tr>
<tr>
<td>Cash</td>
<td>2</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
Pension Liability Sensitivity
The following presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease in Discount Rate (6.5%)</th>
<th>1% Increase in Discount Rate (8.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>District's proportionate share of the GERF net pension liability:</td>
<td>$1,039,705</td>
<td>$670,313</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Pension Plan Fiduciary Net Position
Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 4 - Operating Leases
The District leases office space on a yearly basis. Dakota County Facilities Management stated that for 2017, the cost of space provided was valued at $41,895.

Note 5 - Commitments and Contingencies
The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.
Note 6 - Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1 $  741,932
Plus: Excess of Revenues Over Expenditures  49,226
Governmental Fund Balance, December 31 $  791,158

Adjustments from Fund Balance to Net Position:
Plus: Capital Assets $  21,283
Plus: Deferred Outflows of Resources  166,802
Less: Long-Term Liabilities (748,009)
Less: Deferred Inflows of Resources (118,369)
Net Position $  112,865

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

Change in Fund Balance $  49,226
Capital Outlay  11,725
Pension Expense, net (43,561)

The cost of capital assets are allocated over the capital assets’ useful lives at the government-wide level. (6,620)

In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned. (4,933)

Change in Net Position $  5,837
# Dakoda County Soil and Water Conservation District

## Budgetary Comparison Statement

**General Fund**

**Year Ended December 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Original/ Final Budget</th>
<th>Variance With</th>
<th>Variance With</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Actual</td>
<td>Final Budget</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>$ 451,535</td>
<td>$ 671,343</td>
<td>$ 219,808</td>
</tr>
<tr>
<td>Local</td>
<td>374,250</td>
<td>206,600</td>
<td>(167,650)</td>
</tr>
<tr>
<td>State Grant</td>
<td>522,051</td>
<td>268,259</td>
<td>(253,792)</td>
</tr>
<tr>
<td><strong>Total Intergovernmental</strong></td>
<td>$ 1,347,836</td>
<td>$ 1,146,202</td>
<td>(201,634)</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$ 8,000</td>
<td>$ 9,747</td>
<td>$ 1,747</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$ 4,000</td>
<td>$ 10,571</td>
<td>$ 6,571</td>
</tr>
<tr>
<td>Other</td>
<td>1,550</td>
<td>1,563</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total Miscellaneous</strong></td>
<td>$ 5,550</td>
<td>$ 12,134</td>
<td>$ 6,584</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 1,361,386</td>
<td>$ 1,168,083</td>
<td>(193,303)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>$ 949,023</td>
<td>$ 942,873</td>
<td>$ 6,150</td>
</tr>
<tr>
<td>Other Services and Charges</td>
<td>30,450</td>
<td>18,744</td>
<td>11,706</td>
</tr>
<tr>
<td>Supplies</td>
<td>8,000</td>
<td>7,648</td>
<td>352</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>10,000</td>
<td>11,725</td>
<td>(1,725)</td>
</tr>
<tr>
<td><strong>Total District Operations</strong></td>
<td>$ 997,473</td>
<td>$ 980,990</td>
<td>$ 16,483</td>
</tr>
<tr>
<td>Project Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District</td>
<td>$ 4,000</td>
<td>$ 3,596</td>
<td>$ 404</td>
</tr>
<tr>
<td>County</td>
<td>12,000</td>
<td>16,208</td>
<td>(4,208)</td>
</tr>
<tr>
<td>Local</td>
<td>27,000</td>
<td>82,871</td>
<td>(55,871)</td>
</tr>
<tr>
<td>State</td>
<td>231,647</td>
<td>35,192</td>
<td>196,455</td>
</tr>
<tr>
<td><strong>Total Project Expenditures</strong></td>
<td>$ 274,647</td>
<td>$ 137,867</td>
<td>$ 136,780</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$ 1,272,120</td>
<td>$ 1,118,857</td>
<td>$ 153,263</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under) Expenditures</strong></td>
<td>$ 89,266</td>
<td>$ 49,226</td>
<td>(40,040)</td>
</tr>
<tr>
<td>Fund Balance - January 1</td>
<td>$ 741,932</td>
<td>$ 741,932</td>
<td>$ -</td>
</tr>
<tr>
<td>Fund Balance - December 31</td>
<td>$ 831,198</td>
<td>$ 791,158</td>
<td>(40,040)</td>
</tr>
</tbody>
</table>

Notes are an integral part of the basic financial statements.
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Statutorily Required Contributions (a)</th>
<th>Statutorily Required Contributions (b)</th>
<th>Contribution Deficiency (Excess) (a-b)</th>
<th>Covered Payroll (c)</th>
<th>Contributions as a Percentage of Covered Payroll (b/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$45,893</td>
<td>$45,893</td>
<td>$</td>
<td>$611,907</td>
<td>7.50%</td>
</tr>
<tr>
<td>2016</td>
<td>$49,325</td>
<td>$49,325</td>
<td>$</td>
<td>$657,669</td>
<td>7.50%</td>
</tr>
<tr>
<td>2017</td>
<td>$53,419</td>
<td>$53,419</td>
<td>$</td>
<td>$712,251</td>
<td>7.50%</td>
</tr>
</tbody>
</table>

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each year-end were determined December 31.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Employer's Proportion of Net Pension Liability (Asset)</th>
<th>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</th>
<th>Covered Payroll (b)</th>
<th>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.0103%</td>
<td>$533,799</td>
<td>$618,937</td>
<td>86.24%</td>
</tr>
<tr>
<td>2016</td>
<td>0.0105%</td>
<td>$852,548</td>
<td>$651,843</td>
<td>130.79%</td>
</tr>
<tr>
<td>2017</td>
<td>0.0105%</td>
<td>$670,313</td>
<td>$677,073</td>
<td>99.00%</td>
</tr>
</tbody>
</table>

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30.
INDEPENDENT AUDITOR’S REPORT ON
MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Dakota County Soil and Water Conservation District
Farmington, 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 Dakota County Soil and Water Conservation District of Farmington, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the Dakota County Soil and Water Conservation District’s basic financial statements, and have issued our report thereon dated May 8, 2018.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor pursuant to Minnesota Statutes 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and public indebtedness. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the District is not allowed to issue debt.

In connection with our audit, Dakota County Soil and Water Conservation District failed to comply with the Deposits and Investments provision of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, as described in the Schedule of Findings and Responses as item 2017-002. However, our audit was not directed primarily toward obtaining the knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Dakota County Soil and Water Conservation District’s noncompliance with the above referenced provisions.

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

May 8, 2018
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
Dakota County Soil and Water Conservation District
Farmington, 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 of Dakota County Soil and Water Conservation District, Farmington, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Dakota County Soil and Water Conservation District’s basic financial statements, and have issued our report thereon dated May 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dakota County Soil and Water Conservation District’s internal control over financial reporting (internal control) to determine the 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 Dakota County Soil and Water Conservation District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Dakota County Soil and Water Conservation District’s internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control as described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dakota County 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 statement amounts. 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.

Dakota County Soil and Water Conservation District’s Response to Findings

Dakota County Soil and Water Conservation District’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Dakota County Soil and Water Conservation District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control 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

May 8, 2018
2017-001 Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: Substantially all accounting procedures are performed by one person.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

Management Response: The District has adequate policies and procedures in place to compensate for the lack of segregation of duties, including having all disbursements approved by the Board of Supervisors.
2017-002 Deficiencies in Collateral for Deposits

Criteria: Minnesota Statute 118A.03 provides certain specific collateral requirements for deposits as follows:

118A.03 WHEN AND WHAT COLLATERAL REQUIRED.

Subdivision 1. For deposits beyond insurance.
To the extent that funds on deposit at the close of the financial institution’s banking day exceed available federal deposit insurance, the government entity shall require the financial institution to furnish collateral security or a corporate surety bond executed by a company authorized to do business in the state. For the purposes of this section, "banking day" has the meaning given in Federal Reserve Board Regulation CC, Code of Federal Regulations, title 12, section 229.2(f), and incorporates a financial institution’s cutoff hour established under section 336.4-108.

Subd. 2. In lieu of surety bond.
The following are the allowable forms of collateral in lieu of a corporate surety bond:

(1) United States government Treasury bills, Treasury notes, Treasury bonds;

(2) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

(3) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

(4) general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

(5) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated "AA" or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and

(6) time deposits that are fully insured by any federal agency.

Subd. 3. Amount.
The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit at the close of the financial institution’s banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution’s banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.
Subd. 4. **Assignment.**

Any collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged. Interest earned on assigned collateral will be remitted to the financial institution so long as it is not in default. The government entity may sell the collateral to recover the amount due. Any surplus from the sale of the collateral shall be payable to the financial institution, its assigns, or both.

Subd. 5. **Withdrawal of excess collateral.**

A financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the government entity and receiving confirmation. The authority to return any delivered and assigned collateral rests with the government entity.

Subd. 6. **Default.**

For purposes of this section, default on the part of the financial institution includes, but is not limited to, failure to make interest payments when due, failure to promptly deliver upon demand all money on deposit, less any early withdrawal penalty that may be required in connection with the withdrawal of a time deposit, or closure of the depository. If a financial institution closes, all deposits shall be immediately due and payable. It shall not be a default under this subdivision to require prior notice of withdrawal if such notice is required as a condition of withdrawal by applicable federal law or regulation.

Subd. 7. **Safekeeping.**

All collateral shall be placed in safekeeping in a restricted account at a 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. The selection shall be approved by the government entity.

Condition / context: At December 31, 2017, the District held deposits of $1,355,522. Deposits up to $250,000 are insured by the FDIC. Deposits require collateral of at least ten percent more than the amount on deposit in excess of that covered by FDIC insurance. The collateral refund was $762,068 (692,789 x 110%). The District was unable to provide evidence that such deposits were properly collateralized in accordance with State Statutes.

Cause: Unknown.

Effect: The effect of noncompliance is not determinable.

Recommendation: We recommend the District obtain sufficient collateral to comply with Minnesota Statute 118A.03.

Management Response: Management has corrected this noncompliance by getting collateral at the bank effective May 10, 2018.