

**SOUTHWEST PRAIRIE TECHNICAL
SERVICE AREA**

**FOR THE YEAR ENDED
JUNE 30, 2014**

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA

TABLE OF CONTENTS

JUNE 30, 2014

	Page
Management Discussion and Analysis	3-9
<u>Basic Financial Statements:</u>	
Statement of Net Position and Governmental Fund Balance Sheet	10
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14--22
<u>Required Supplementary Information:</u>	
Budgetary Comparison Statement - General Fund	23
Budgetary Comparison Statement - TSA 5 Sub Watershed Grant	24
Statement of Activities and Governmental Fund- TSA 5 Sub Watershed Grant	25
Statement of Net Position and Governmental Fund Balance-TSA 5 Sub watershed	26
Notes to Required Supplementary Information	27

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2014**

This section of the annual financial report of the Southwest Prairie Technical Service Area presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the Organization’s financial activities for the fiscal year ended June 30, 2014. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the Organization’s basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Organization’s net position on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance decreased due to the expenses exceeding the revenues.
- The Organization’s net position exceeded the liabilities on the Statement of Net Position and Governmental Fund Balance Sheet partially due to the addition of the Investment in Capital Assets in the statement.
- The Statement of Net Position and Governmental Fund Balance Sheet reflect classifications of Fund Balances for specific purposes deemed by the TSA.

USING THIS ANNUAL REPORT

This annual report consists of four main topics: 1) Management’s Discussion and Analysis (MD&A); 2) Financial Statements; 3) Reconciliation Statements; and 4) Notes to the Financial Statement. Since TSA’s are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Southwest Prairie Technical Service Area has elected to present in this format. These topics are further explained as follows:

- Management’s Discussion and Analysis (MD&A-this section). This section relates mostly to the changes in the Organization’s finances and explains the Governmental Wide-Financial Statements in detail. The MD&A is on pages 3-9;
- Financial Statements – pages 10-13:
 - The Governmental Wide-Financial Statement includes a series of financial statements that provide information about the activities of the Southwest Prairie Technical Service Area as a whole and present a longer-term view of the Organization’s finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending; and
 - The Fund Financial Statements also report the Southwest Prairie Technical Service Area’s operations in more detail than the government-wide statements by providing information about the Organization’s most significant funds. Fund financial statements also report the Organization’s operations.
- Reconciliation Statements – pages 11 and 13:
 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements. The Statement of Activities under the “Adjustments” column shows the differences in the two statements; and
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the differences in these two statements. The Statement of Net Position under the “Adjustments” column shows the differences in the two statements.

- Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found on pages 14-22.
- Required Supplementary Information, found on pages 23 and 24, includes the Budgetary Comparison Schedule and Notes to the Required Supplementary Information.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Statement of Net Assets and Statement of Activities

Our analysis of the Southwest Prairie Technical Service Area begins with the Statement of Net Position and the Statement of Activities of which can be found on pages 10 and 12 of this report. One of the most important questions asked about the Organization's finances is, "Is the Southwest Prairie Technical Service Area 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 Organization as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the 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 Organization's net position and changes in them. You can think of the Organization's net position - the difference between assets and liabilities - as one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Organization's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of the Organization.

In the Statement of Net Position and the Statement of Activities, the Organization presents Governmental activities. All of the Organization's basic services are reported here. Appropriations from the county and state also finance activities.

FUND FINANCIAL STATEMENTS

The Southwest Prairie Technical Service Area presents only a general fund, which is a governmental fund. All of the Organization's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund 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 Organization'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 Organization's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Activities and the Statement of Net Position) and governmental funds through the Reconciliation's of these statements, which are on pages 11 and 13 (after the Fund Financial Statements). The basic governmental financial reports can be found on pages 10 and 12 of this report.

Notes to the Financial Statement

The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Stewardship, compliance and accountability; 3) Deposits and Investments; 4) Changes in General Fixed Assets; 5) Deferred Revenue; 6) Compensated Absences Payable; 7) Risk Management; 8) Pension Plan; and 9) Operating Leases. The Notes to the Financial Statement are on pages 14-22.

Statement of Net Assets

The Southwest Prairie Technical Service Area's net assets increased from one year ago. Our analysis below focuses on the net assets (Table 1) of the Organization's governmental activities.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Table 1	Statement of Net Position	Governmental Activities	
		June 30, 2014	June 30, 2013
	Current Assets	\$ 279,924	\$ 187,828
	Capital Assets Net of Depreciation	56,700	69,537
	Total Assets	<u>\$ 336,624</u>	<u>\$ 257,365</u>
	Current and Other Liabilities	266,099	158,867
	Net Position:		
	Invested in Capital Assets	56,700	69,537
	Unrestricted		
	(minus compensated absences)	13,825	28,960
	Total Net Assets	<u>70,525</u>	<u>98,498</u>
	Total Liabilities and Net Position	<u>\$ 336,624</u>	<u>\$ 257,365</u>

The Southwest Prairie Technical Service Area had more expenses than revenues in 2014. Unrestricted net position are 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 – which was \$28,960 in 2012- 2013 and \$13,825 in 2013-2014, an decrease of 15,135.

STATEMENT OF ACTIVITES

Table 2 reflects changes in Governmental activities of the Southwest Prairie Technical Service Area.

Table 2	Changes in Net Position	Governmental Activities	
		<u>June 30, 2014</u>	<u>June 30, 2013</u>
	Revenues		
	County	\$ 54,697	\$ 89,163
	State	149,622	189,405
	Interest Earnings	400	405
	Other	3,057	4,037
	Total Revenues	<u>207,776</u>	<u>283,009</u>
	Expenses		
	Conservation-All Other	181,322	171,559
	Depreciation	12,837	11,196
	Other Services & chgs	18,632	33,641
	Supplies	2,958	1,074
	Total Expenses	<u>\$ 215,749</u>	<u>\$ 217,469</u>

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Revenues decreased from the Counties and decreased from the State in the fiscal year 2013-2014. Expenses were higher due to an increase in payroll expenses.

THE SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA'S FUNDS

As the Organization completed the year, under the general fund column as presented in the Statement of Net Position on page 10, reported a combined fund balance of \$40,443 (includes Assigned and Unassigned Fund Balances). This amount plus the capital assets net of accumulated depreciation (\$56,700) and minus the Compensated Absences (\$13,824) gives a total of \$70,524 under the column for the Statement of Net Position. This amount was less than last year's total of \$98,497.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Organization did not adjust the budget.

CAPITAL ASSETS

The Southwest Prairie Technical Service Area uses a threshold of \$5,000 for its asset capitalization policy. At the end of 2014, the Organization had \$131,000 invested in a broad range of capital assets, including Equipment and Machinery (see Table 3). This amount represents a net decrease of total capital assets (including additions and deductions) of \$9,602.

Table 3 Capital Assets at Year-end
(Net of Depreciation)

Assets	Governmental Activities	
	June 30, 2014	June 30, 2013
Equipment/Machinery	\$ 131,000	\$ 140,603
Buildings	-	-
Total Assets	131,000	140,603
Net of Depreciation	\$ 56,700	\$ 69,537

The Southwest Prairie Technical Service Area's fiscal-year 2014 capital budget has assigned funds of \$10,000 for capital projects.

LONG-TERM LIABILITIES

Long-term liability obligations include accrued vacation pay for which employees are paid upon termination from the Southwest Prairie Technical Service Area by retirement, illness or death. Detailed information about the Organization's long-term liabilities is presented in the Notes to the Financial Statement under Section I. Summary of Significant Accounting Policies- G. Vacation and Sick Leave on page 18; and under II.C. Compensated Absences Payable on page 19.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Southwest Prairie Technical Service Area's elected officials considered many factors when setting the fiscal-year 2013-2014 budget. Some of the economic factors taken into account for the fiscal year 2013-2014 budget include: State funding. Expense factors include building expenses, employee salary increases.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Southwest Prairie Technical Service Area's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Southwest Prairie Technical Service Area, 2740 22nd St., Slayton, MN 56172 or call 507-836-6990, Ext. 3.

Southwest Prairie Technical Service Area
Slayton, MN 56172

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
For Fiscal year Ending June 30, 2014

	General Fund	Adjustments See Reconciliation	Statement of Net Position
<u>Assets</u>			
Cash and investments	279,924.44		279,924.44
Accounts receivable	0.00		0.00
Due from other governments	0.00		0.00
Prepaid items	0.00		0.00
Capital Assets:			
Equipment (net of accumulated depreciation)	56,700.13	56,700.13	56,700.13
Total Assets	279,924.44	56,700.13	336,624.57
<u>Liabilities</u>			
Accounts payable	8,256.80		8,256.80
Sales Tax Payable	0.00		0.00
Unearned Revenues	231,224.24		231,224.24
Compensated Absences	26,618.86	26,618.86	26,618.86
Total Liabilities	239,481.04	26,618.86	266,099.90
<u>Fund Balance</u>			
Non-spendable	0.00	0.00	0.00
Restricted			
Assigned	0.00	0.00	0.00
Unassigned	40,443.40	-40,443.40	0.00
Total Fund Balance	40,443.40	-40,443.40	0.00
Net Position			
Invested in capital assets		56,700.13	56,700.13
Restricted			
Unrestricted		13,824.54	13,824.54
Total Net Assets		70,524.67	70,524.67

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balance-Total Governmental Funds **\$40,443.40**

Capital Assets used in governmental activities are not current financial resources and
Therefore, are no reported in the governmental funds balance sheet. 56,700.13

Compensated absences are not due and payable in the current period and are not
Reported in the general funds. (13,824.54)

Net Position of Governmental Funds **\$ 70,524.67**

Southwest Prairie Technical Service Area
Slayton, MN 56172

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For Fiscal Year Ending June 30, 2014

	General Fund	Adjustments See Reconciliation	Statement of See Activities
Revenues			
Intergovernmental	204,320.01	0.00	204,320.01
Charges for services	0.00	0.00	0.00
Investment earnings	399.70	0.00	399.70
Miscellaneous	3,056.99	0.00	3,056.99
Total Revenues	<u>207,776.70</u>	<u>0.00</u>	<u>207,776.70</u>
Expenditures			
SWPTSA Operations			
Personal Services	204,320.01	-1,407.39	202,912.62
Capital outlay		0.00	0.00
Depreciation		12,837.22	12,837.22
Total SWPTSA Operations	<u>204,320.01</u>	<u>11,429.83</u>	<u>215,749.84</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	3,456.69	-11,429.83	-7,973.14
Fund Balance/Net Assets July 1, 2012	<u>36,986.71</u>	<u>41,511.10</u>	<u>78,497.81</u>
Fund Balance/Net Assets June 30, 2013	<u>40,443.40</u>	<u>30,081.27</u>	<u>70,524.67</u>

Notes are an integral part of the basic financial statements.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balance-Total Governmental Funds

Governmental funds report capital outlay as expenditures. However, in the government Wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	40,443.40
Depreciation expense on capital assets is reported in the government-wide statement of Activities, but they do not require the use of current financial resources. Therefore, Depreciation expense is not reported as an expenditure in the governmental funds.	41,511.10
Compensated Absences are also reflected in the government-wide statement of activities In 2014, the compensated absences decreased by \$1,407.39 from 2013.	(11,429.83)
Changes in Net Position of Governmental Activities	\$70,524.67

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The conservation engineer and technicians positions are part of a state-wide nonpoint source pollution abatement program. In 1994, the Minnesota Legislature authorized the use of the State Revolving Loan Fund (SRF) to offer low interest loans for nonpoint pollution control best management practices. The legislature also provided funding through the Board of Water and Soil Resources for Soil and Water Conservation Districts (SWCD) to hire staff to provide technical assistance for SRF best management implementation practice implementation. The Minnesota conservation partnership determined the best structure for this technical staffing to be through joint powers groups of SWCD's.

On January 13, 1995, Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock and Yellow Medicine Soil and Water Conservation Districts entered into an agreement to form the Southwest Prairie Technical Service Area. Murray SWCD was designated as the Host District and Fiscal Agent for the SWPTSA in March 1995, and their facilities are being used to house an engineer and technicians to provide technical services for the State Revolving Loan Fund Program.

Responsibilities of the engineer and technicians are to investigate potential sites, evaluate project feasibility, assist with project prioritization and scheduling, prepare and supervise the preparation of final designs and construction documents for eligible SRF best management practices, provide technical assistance to landowners, conservation partners and other clientele for effective program management (planning, prioritizing, integration and delivery).

The financial reporting policies of the Southwest Prairie Technical Service Area conform to generally accepted accounting principles.

A. Financial Reporting Entity

In conformance with standards established by the Governmental Accounting Standards Board, the Southwest Prairie Technical Service Area includes all funds that are controlled by or dependent on the Southwest Prairie Technical Service Area Board. Control by and dependence on the Southwest Prairie Technical Service Area were determined on the basis of budget adoption, taxing authority, obligation of the Southwest Prairie Technical Service Area to finance any deficits that may occur, and any significant subsidy provided by the Southwest Prairie Technical Service Area.

The Southwest Prairie Technical Service Area is not considered a part of Murray County because, even though the county provides a significant amount of the Southwest Prairie Technical Service Area's revenue in the form of an appropriation, it does not retain any control over the operations of the Southwest Prairie Technical Service Area.

B. Basis of Accounting

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 governmental activities, which normally are supported by taxes and intergovernmental revenues.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classify as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Southwest Prairie Technical Service Area.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements of the Southwest Prairie Technical Service Area include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budget

The Southwest Prairie Technical Service Area adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

E. Cash Equivalents

Southwest Prairie Technical Service Area recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

Southwest Prairie Technical Service Area recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

F. Assets, Liabilities, and Equity Accounts

1. 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.

Due from Other Governments includes amounts for shared projects and grants.

Capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. Capital assets are still valued at historical or estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Southwest Prairie Technical Service Area has set the capitalization threshold at \$5,000.

2. Liabilities

Current liabilities include Accounts Payable, Compensated Absences, and Deferred Revenue.

3. Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes but not limited to: prepaid expenses, accrued interest receivable, taxes receivable, inventory, fixed assets.
- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: unemployment compensation and sinking fund.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

G. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenses are incurred. The Southwest Prairie Technical Service Area also receives an annual appropriation from the state, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period. The Southwest Prairie Technical Service Area does not directly levy taxes of any type and thus has no revenues from non-exchange transactions that required to be reported under GASB Statement No. 33.

b. Other Revenue

Investment income and revenue from charges for services are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

2. Expenses

a. Vacation and Sick Leave

Under the Southwest Prairie Technical Service Area's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 384 hours and the limit on sick leave is 960 hours. Upon termination from the Southwest Prairie Technical Service Area by retirement, illness or death, employees are paid 100% of accrued vacation leave and 60% of accrued sick leave.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Capital Assets

Changes in Capital Assets:

	<u>Machinery & Equipment</u>	<u>Totals</u>
Primary Government		
Balance, July 1, 2013	\$ 140,603	\$ 140,603
Increases	-	-
Decreases	<u>(9,602)</u>	<u>(9,602)</u>
Balance, June 30, 2014	<u>131,001</u>	<u>131,001</u>
Accumulated Depreciation		
Balance July 1, 2013	71,066	71,066
Increases	12,837	12,837
Decreases	<u>(9,602)</u>	<u>(9,602)</u>
Balance June 30, 2014	<u>74,301</u>	<u>74,301</u>
Capital Assets, Net	<u>\$ 56,700</u>	<u>\$ 56,700</u>

B. Deferred Revenue

Deferred revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR). Revenues will be recognized when the related program expenses are recorded. Deferred revenue for the year ended June 30, 2014, consists of the following:

Regular	<u>\$ 86,224</u>
TSA 5 Sub-Watershed Grant	<u>\$ 125,000</u>
Total	<u>\$ 211,224</u>

C. Compensated Absences

Changes in long-term debt for the period ended June 30, 2014, are:

Balance-July 1, 2013	\$ 28,026
Net change in compensated absences	<u>(1,407)</u>
Balance - June 30, 2014	<u>\$ 26,619</u>

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

There were no compensated absences payable to terminated employees as of June 30, 2014. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

D. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorizes the Southwest Prairie Technical Service Area to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. Minnesota Statute 118A.02 requires that all the Organizations deposits be covered by insurance, surety bond, or collateral. The market collateral pledged shall be at least ten percent more than the amount of deposit plus accrued interest at the close of the financial institutions banking day, not covered by insurance or bonds. All deposits are in category 1, low risk type investments.

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 standards 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 at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of June 30, 2014, the carrying amount of the Organization's deposits with financial institutions was \$279,924.44 and the bank balance was \$293,417.45. The bank balance is categorized as follows:

Insured by FDIC Insurance	\$250,000.00
Covered by Collateral	\$ 43,417.45
Uninsured/Uncollateralized	0
Total	\$293,417.45

E. Investments

The Southwest Prairie Technical Service Area may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of the Minnesota Housing Agency rated “A” or better; bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The Southwest Prairie Technical Service Area does not have any investments policies that would further limit investment choices.

The Southwest Prairie Technical Service Area does not carry any investments on its financial statements as of June 30, 2014.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

III. PENSION PLANS

Plan Description

All full-time and certain part-time employees of the Southwest Prairie Technical Service Area are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basis Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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 PERF's Coordinated and Basic 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 Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate 2.7 percent of average salary for Basis Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 514 St. Peter Street #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Organization makes annual contributions to the pension plan equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 9.10% and 6.25% of their annual covered salary. The Organization is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members 7.25% for Coordinated Plan PERF members. The Organization's contributions to the Public Employees Retirement Fund for the years ending June 30, 2012 and 2013 were \$8,274 and \$9,103, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by state statute.

IV. RISK MANAGEMENT

The Southwest Prairie Technical Service Area is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the Southwest Prairie Technical Service Area has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Insurance Trust. The Organization retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

V. OPERATING LEASE

The Southwest Prairie Technical Service Area leases office space for \$4,505 and pays \$120 for LAN/WAN/Voice costs on a yearly basis. Under the current agreement, total costs for 2013-2014 were \$4,625. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

Southwest Prairie Technical Service Area
Slayton, MN 56172

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	128,456.47	128,456.47	54,697.65	-73758.82
Local	0.00	0.00	0.00	0.00
Federal	0.00	0.00	0.00	0.00
State grant	130,000.00	130,000.00	149,622.36	19,622.36
Total intergovernmental	258,456.47	258,456.47	204,320.01	-54,136.46
Charges for services	0.00	0.00	0.00	0.00
Miscellaneous				
Interest earnings	0.00	0.00	399.70	399.70
Other	0.00	0.00	3,056.99	3,056.99
Total miscellaneous	0.00	0.00	3,456.69	3,456.69
Total Revenues	258,456.47	258,456.47	207,776.70	-50,679.77
Expenditures				
TSA operations				
Personnel services	179,732.00	179,732.00	172,729.61	7,002.39
Other services and charges	42,900.00	42,900.00	28,633.50	14,266.50
Supplies	3,000.00	3,000.00	2,956.90	43.10
Capital outlay	10,000.00	10,000.00	0.00	10,000.00
Total district operations	235,632.00	235,632.00	204,320.01	31,311.99
Project expenditures				
District	0.00	0.00	0.00	0.00
State	0.00	0.00	0.00	0.00
Total project expenditures	0.00	0.00	0.00	0.00
Total Expenditures	235,632.00	235,632.00	204,320.01	31,311.99
Excess of Revenues Over (Under)				
Expenditures	22,824.47	22,824.47	3,456.69	-19,367.78
Fund Balance - July 1, 2012	0.00	0.00	36,986.71	0.00
Fund Balance - June 30, 2013	22,824.47	22,824.47	40,443.40	-19,367.78

Southwest Prairie Technical Service Area
Slayton, MN 56172
TSA 5 GRANT
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Neg)</u>
Revenues				
Intergovernmental				
County			0.00	0.00
Local			0.00	0.00
Federal			0.00	0.00
State grant			125,000.00	125,000.00
Total intergovernmental			125,000.00	125,000.00
Charges for services			0.00	0.00
Miscellaneous				
Interest earnings			0.00	0.00
Other			0.00	0.00
Total miscellaneous			0.00	0.00
Total Revenues			125,000.00	125,000.00
Expenditures				
TSA operations				
Personnel services			0.00	0.00
Other services and charges			0.00	0.00
Supplies			0.00	0.00
Capital outlay			0.00	0.00
Total district operations			0.00	0.00
Project expenditures				
District	0.00	0.00	0.00	0.00
State	0.00	0.00	0.00	0.00
Total project expenditures	0.00	0.00	0.00	0.00
Total Expenditures	0.00	0.00	0.00	0.00
Excess of Revenues Over (Under)				
Expenditures	0.00	0.00	125,000.00	125,000.00
Fund Balance - July 1, 2013	0.00	0.00	0.00	0.00
Fund Balance - June 30, 2014	0.00	0.00	125,000.00	125,000.00

Southwest Prairie Technical Service Area
 Slayton, MN 56172
 TSA 5 Grant

STATEMENT OF ACTIVITIES AND
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For Fiscal Year Ending June 30, 2014

	General Fund	Adjustments See Reconciliation	Statement of Activities
Revenues			
Intergovernmental	125,000.00	0.00	125,000.00
Charges for services	0.00	0.00	0.00
Investment earnings	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00
Total Revenues	<u>125,000.00</u>	<u>0.00</u>	<u>125,000.00</u>
Expenditures			
SWPTSA Operations			
Personal Services	0.00	0.00	0.00
Capital outlay	0.00	0.00	0.00
Depreciation		0.00	11,195.75
Total SWPTSA Operations	<u>0.00</u>	<u>0.00</u>	<u>11,195.75</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	125,000.00	0.00	125,000.00
Fund Balance/Net Assets July 1, 2013	0.00	0.00	0.00
Fund Balance/Net Assets June 30, 2014	<u>125,000.00</u>	<u>0.00</u>	<u>125,000.00</u>

Southwest Prairie Technical Service Area
Slayton, MN 56172
TSA 5 GRANT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
For Fiscal year Ending June 30, 2014

	General Fund	Adjustments See Reconciliation	Statement of Net Position
<u>Assets</u>			
Cash and investments	125,000.00		125,000.00
Accounts receivable	0.00		0.00
Due from other governments	0.00		0.00
Prepaid items	0.00		0.00
Capital Assets:			
Equipment (net of accumulated depreciation)		0.00	0.00
Total Assets	125,000.00	0.00	125,000.00
<u>Liabilities</u>			
Accounts payable	0.00		0.00
Sales Tax Payable	0.00		0.00
Unearned Revenues	0.00		0.00
Compensated Absences		0.00	0.00
Total Liabilities	0.00	0.00	0.00
<u>Fund Balance</u>			
Non-spendable	0.00	0.00	0.00
Restricted			
Assigned	0.00	0.00	0.00
Unassigned	125,000.00	-125,000.00	0.00
Total Fund Balance	125,000.00	-125,000.00	0.00
Net Position			
Invested in capital assets		0.00	0.00
Restricted			
Unrestricted		125,000.00	125,000.00
Total Net Assets		125,000.00	125,000.00

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Basis of Presentation

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting.

Budgetary Legal Requirements

Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is used during the fiscal year as a tool to monitor actual revenues and expenditures.

The budget is adopted through the passage of a resolution by the board of trustees. Any revision that alters the total expenditures of any fund must be approved by the board of trustees. Appropriations lapse at the end of each year.