

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Fillmore SWCD’s discussion and analysis provides an overview of the SWCD’s financial activities for the fiscal year ended 2012. 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 SWCD’s 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 Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD’s finances. Fund financial statements start on page 8. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD’s operations in more detail than the government-wide statements by providing information about the SWCD’s most significant funds. Since SWCDs are single-purpose special purpose governments, they are generally able to combine the government-wide and fund financial statements into single presentations. Fillmore SWCD has elected to present in this format.

### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the SWCD as a whole begins on page 2. One of the most important questions asked about the SWCD’s finances is, “Is the SWCD as a whole better or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the SWCD 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 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 SWCD’s net assets and changes in them. You can think of the SWCD’s net assets — the difference between assets and liabilities—as one way to measure the SWCD’s financial health, or financial position. Over time, increases or decreases in the SWCD’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the SWCD’s property tax base and the condition of SWCD roads, to assess the overall health of the SWCD.

In the Statement of Net Assets and the Statement of Activities, the SWCD presents Governmental activities. All of the SWCD’s basic services are reported here. Appropriations from the county and state finance most activities.

## Reporting the SWCD's General Fund

### Fund Financial Statements

The SWCD presents only a general fund, which is a governmental fund. All of the SWCD'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 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 SWCD'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 SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

### THE SWCD AS A WHOLE

The SWCD's combined net assets increased in 2012 from \$364,049 to \$393,235. Last year, net assets increased by \$23,585. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 781,007	\$ 717,491
Capital assets	\$ 128,281	\$ 112,319
Total assets	\$ 909,288	\$ 829,810
Long-term liabilities	\$ 60,481	\$ 61,300
Other liabilities	\$ 455,572	\$ 404,461
Total liabilities	\$ 516,053	\$ 465,761
Net assets		
Invested in capital assets, net of debt	\$ 128,281	\$ 112,318
Restricted	\$ 219,882	\$ 223,421
Unrestricted	\$ 45,072	\$ 28,310
Total net assets	\$ 393,235	\$ 364,049

Net assets of the SWCD governmental activities increased by 8 percent (\$393,235 compared to \$364,049). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a \$28,310 surplus on December 31, 2011 to a \$45,072 surplus at the end of this year.

This surplus in unrestricted governmental net assets arose primarily because of the following factors. Although total assets increased by about \$79,478 in 2012, total liabilities also increased by \$50,292. Liabilities increased, in large part, because of an increase of deferred revenues. The liabilities increased because, although BWSR is withholding funds until all grant requirements have been met, those balances are being recorded as deferred revenues and accounts receivable. The SWCD Board approved a personnel policy change in 2009 to gradually reduce the cap on accumulated Paid Time Off hours in order to reduce the balance in compensated absences. That policy reduces the cap from 800 hours in 2008 to 400 hours by 2012, which resulted in compensated absences decreasing by \$819 from 2011 to 2012.

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 65,280	\$ 56,712
Local grants	\$ 134,427	\$ 23,194
State grants and entitlements	\$ 625,818	\$1,265,468
County Grants	\$ 259,179	\$ 255,278
Miscellaneous revenues		
Investment earnings	\$ 8,719	\$ 16,762
Other misc.	\$ 8,734	\$ 7,255
Federal entitlements	\$ 3,608	
Other general revenues		
Total revenues	\$1,105,764	\$1,624,669
<b>Program expenses</b>		
General government		
Conservation		
Current	\$1,023,438	\$1,573,710
Capital Outlay	\$ 65,474	\$ 27,374
Total expenses	\$1,088,912	\$1,601,084
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
<b>Increase (decrease) in net assets</b>	<b>\$ 16,852</b>	<b>\$ 23,585</b>

The SWCD's total revenues (excluding special items) decreased significantly by 46.9 percent (\$518,905). This decrease was largely due to the reduction in the number of projects funded by state grants and a decrease in interest earnings, which were down \$8,043 from 2011 to 2012. Revenues in 2011 also included funds from flood relief projects that were completed and the grants closed out in 2011. Some of the decrease was offset by increases in charges for services, county grants (additional funding received for SWCD assistance with the county feedlot program in the absence of the County Feedlot Officer), and local grants, the largest amount coming from The Nature Conservancy for technical assistance to complete conservation plans in MRBI watersheds and for cover crop incentives in the Root River. Although SWCD staff completed 127 General and Continuous CRP plans, no additional compensation was received from either state or federal sources for this work

unlike in past years. The total cost of all programs and services decreased significantly by \$512,172 in 2012 compared to 2011. In particular, the number of larger feedlot projects was down from nine in 2011 to two in 2012 with delays due to family medical issues and site conditions among the reasons plus fewer projects submitted and approved for funding.

### **Governmental Activities**

Revenues for the SWCD governmental activities decreased by 46.9 percent (\$518,905) while total expenses decreased 32 percent (\$512,712). The net assets for governmental activities increased in 2012 by \$16,852. This compares to an increase of \$23,585 in net assets in 2011.

The SWCD did not request an increase in its county allocation in 2012, so it remained at \$210,000, which was the same amount received since 2008 and also what was approved for 2013. The SWCD has been fortunate not to have its county allocation cut as has happened in some counties. However, this does mean that increases in expenses, especially personnel costs, must be made up through other sources. The SWCD has been taking opportunities to bring in more revenues through grants and contracts for additional services, such as the local and county grants mentioned above. Contracts for technical assistance funds from BWSR for \$25,000 and from The Nature Conservancy for technical assistance in MRBI watersheds brought in over \$127,000 for completing conservation plans on 18,389 acres, which also resulted in over \$170,000 in MRBI EQIP contracts with producers for implementation of conservation practices in those watersheds. The SWCD has one contract with the MPCA for \$368,606 to complete a Comprehensive Strategy for the Root River in 2014 and another contract for \$92,464 for long term pollutant load monitoring in the Root River watershed. The SWCD continues as the primary administrator of funds for the MN Department of Agriculture's "Field to Stream" edge-of-field monitoring project. These three grants support two staff positions and pay for administration of several subcontracts. The MDA project is expected to receive continued funding to the end of 2015.

The cost of all governmental activities this year was \$1,088,912 compared to \$1,601,084 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, decreased from \$1,624,669 in 2011 to \$1,105,764 in 2012 principally based on reductions in state grants. The SWCD paid for the remaining "public benefit" portion of governmental activities with \$0 in taxes and with other revenues, such as interest (\$8,719), other miscellaneous revenues (\$8,734) and a small Contribution Agreement with NRCS for \$3,608.

Table 3 presents the cost of each of the SWCD's two largest programs— Feedlot water quality management cost share and state cost share—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the SWCD's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Feedlot Water				
Quality Management	\$ 78,568	\$ 532,855	\$ 75,067	\$ 412,587
Flood Relief Cost Share	0	118,800	0	113,388
State Cost Share	18,142	20,695	4,487	19,686
<b>Totals</b>	<b><u>\$ 96,710</u></b>	<b><u>\$ 672,350</u></b>	<b><u>\$ 79,554</u></b>	<b><u>\$ 545,661</u></b>

**THE SWCD's FUNDS**

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 9) reported a combined fund balance of \$325,436, which is above last year's total of \$313,031. Included in this year's total change in fund balance is an increase of \$16,852 in the SWCD's General Fund. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted on pages 2 and 3.

**General Fund Budgetary Highlights**

Over the course of the year, the Fillmore SWCD Board of Supervisors did not revise the SWCD's 2012 budget.

Without any adjustments, the actual changes to appropriations were \$44,600 over the final budget amounts. State grant revenues exceeded the budget by \$25,411 and local revenues by \$16,627 accounting for most of that amount even though interest earnings and federal revenues were less than budgeted by \$6,281 and \$2,082, respectively. The variance in expenditures was \$27,748 over the final budget, so the final result was an excess of revenues over expenditures of \$16,852. The most significant variance from the budget in expenditures occurred in the SWCD's expenditures for capital outlay (over budget by \$59,224). Despite this, expenditures for District and State projects were less than what was budgeted by \$29,923 due to being under budget for other services and charges and state project expenses. The Board did approve a 1.5% cost of living increase for staff in 2012. Step increases were given as scheduled to all employees in recognition of the need to keep highly qualified and dedicated employees. Short-term (2-3 year) grant cycles continue to present a challenge to keeping experienced employees.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2012, the SWCD had \$128,281 invested in a broad range of capital assets, including a building, 4 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net increase of \$15,962, or 12.44 percent, from last year.

**Table 4**  
**Capital Assets at Year-end**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Conservation Building	\$ 62,518	\$ 67,328
Equipment	\$ 65,763	\$ 44,991
	<u>\$128,281</u>	<u>\$112,319</u>

This year's major additions included:

Equipment for MPCA Comprehensive Strategy Project	\$ 61,256
2012 Chevrolet Pickup	\$ 3,401
Equipment for MDA Small Watershed Project	\$ 817
	\$ 65,474

The SWCD's fiscal-year 2013 capital budget calls for spending \$27,344 for capital projects by adding amounts to build each of the designated funds, including the 3-month operating fund and the vehicle replacement fund. The SWCD has no plans to issue additional debt to finance these projects. Rather, revenues generated by the SWCD through its projects and programs will be used. More detailed information about the SWCD's capital assets is presented in Note IV (page 20) to the financial statements.

### Long-Term Liabilities

The Fillmore SWCD purchases commercial insurance for property and casualty claims and has claims and judgments of \$0 outstanding at year-end compared with \$0 last year. Other obligations include accrued paid time off.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fillmore SWCD's elected officials considered many factors when setting the fiscal-year 2013 budget and fees that will be charged for the business-type activities. The local, state, and national economies are still affecting SWCD funding from both the state and local level, although there have been gradual improvements. The state cost share grant has been restored to \$31,576 for FY12 and FY13 after reductions to \$23,281 in 2010 and \$23,520 in 2011 compared to \$43,432 in FY09. Conservation Delivery Grants and Easement Delivery Grants have remained stable.

The ag economy has been bolstered by high commodity prices for corn and soybeans, but livestock producers have not had stability in prices, plus high commodity prices translate into high feed costs. Good crop prices create an incentive to plant more acres rather than put acres into conservation practices. Higher EQIP payment rates have reduced demand for state cost share funds.

Livestock producers who were previously approved for EQIP and those who want to improve their feedlot operations and manure management as a way to improve profits are utilizing the services of the SWCD's Grazing Specialist, Nutrient Management Specialist, and Feedlot Technician. One large feedlot runoff control project was completed in 2012 along with one smaller project. A FY13 Clean Water Fund application for \$175,043 was approved for one feedlot project, which is expected to be completed in 2013 along with two funded in FY12 and one project funded in FY11. Those projects have technical assistance funds tied to them which help to support the technician position. The Grazing Specialist has assisted almost 40 producers with developing and implementing grazing plans on over 3265 acres in the Root River and Whitewater River watersheds. Most of the staff time is devoted to implementing EQIP plans with funding of over \$927,000. This position is funded through 2013. The Nutrient Management Specialist serves five counties and has 164 contacts and more than 120 plans completed on over 64,400 acres. Fees of \$300 for new plans and \$100 for plan updates are being charged to provide a match for the Clean Water Fund grants that will continue funding the position through 2014.

Two staff people are partially funded through the Root River Comprehensive Strategy grant from MPCA, which began in March 2011 and will extend to 2014. They will also continue to be funded in part through a grant from MDA for a study of BMP effectiveness in three small watersheds in the Root River watershed, which is expected to receive continued funding beyond the current contract's end date of June 30, 2013. Other sources of revenue in 2012 that had not been available in the past are the technical assistance funds received from The Nature Conservancy and NRCS to support staffing for the MRBI watersheds to update conservation plans and generate conservation needs. The SWCD has responsibility for promoting the programs and providing technical assistance for many of the practices funded. All of these additional funds should allow the SWCD to maintain staffing and cover some of the administrative costs.

The bacteria testing lab was certified in May of 2009. Although maintaining the lab certification is costly, it is a service that is especially beneficial for private well owners and for stream monitoring projects conducted by the SWCD and other entities.

Personnel services are the SWCD's largest expense and the expense that continues to rise. Those are expected to decrease in 2013 due to the loss of one employee who will not be replaced. Health insurance rates are expected to increase. Reducing the allowable cap on PTO accumulation has helped to reduce the rising liability for compensated absences.

## **CONTACTING THE SWCD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Rasmussen, District Administrator at (507) 765-3878 ext. 3.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT  
PRESTON, MINNESOTA

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$624,717		\$624,717
Accounts receivable	156,068		156,068
Interest Receivable	222		222
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		128,281	128,281
<b>Total Assets</b>	<b>\$781,007</b>	<b>\$128,281</b>	<b>\$909,288</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$0		\$0
Trees Prepaid Deposits	\$2,207		\$2,207
Earnest Money	\$3,000		\$3,000
Salaries payable	11,884		11,884
Payroll tax payable	394		\$394
Sales tax payable	29		\$29
Deferred revenue	438,057		438,057
Long-term liabilities:			0
Due within one year		0	0
Due after one year		60,481	60,481
<b>Total Liabilities</b>	<b>\$455,572</b>	<b>\$60,481</b>	<b>\$516,053</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	280,364	(280,364)	0
Unassigned	45,072	(45,072)	0
<b>Total Fund Balance</b>	<b>\$325,436</b>	<b>(\$325,436)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$128,281	\$128,281
Designated Fund Balance		\$219,882	\$219,882
Unassigned		45,072	45,072
<b>Total Net Assets</b>		<b>\$393,235</b>	<b>\$393,235</b>

Notes are an integral part of the basic financial statements.



FILLMORE SOIL AND WATER CONSERVATION DISTRICT  
PRESTON, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$1,023,032	\$0	\$1,023,032
Charges for services	65,280	0	65,280
Investment earnings	8,719	0	8,719
Miscellaneous	8,734	0	8,734
<b>Total Revenues</b>	<b><u>\$1,105,764</u></b>	<b><u>\$0</u></b>	<b><u>\$1,105,764</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$1,023,438	\$48,693	\$1,072,131
Capital outlay	65,474	(65,474)	0
<b>Total Expenditures/Expenses</b>	<b><u>\$1,088,912</u></b>	<b><u>(\$16,781)</u></b>	<b><u>\$1,072,131</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$16,852</b>	<b>\$16,781</b>	<b>\$33,633</b>
<b>Fund Balance/Net Assets January 1</b>	<b><u>308,584</u></b>	<b><u>51,019</u></b>	<b><u>359,603</u></b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$325,436</u></u></b>	<b><u><u>\$67,800</u></u></b>	<b><u><u>\$393,236</u></u></b>

Notes are an integral part of the basic financial statements.

FILLMORE SOIL AND WATER CONSERVATION DISTRICT  
PRESTON, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$253,917	\$253,917	\$259,179	\$5,262
Local	117,800	117,800	134,427	16,627
Federal	5,690	5,690	3,608	(2,082)
State grant	600,407	600,407	625,818	25,411
<b>Total intergovernmental</b>	<b>\$977,814</b>	<b>\$977,814</b>	<b>\$1,023,032</b>	<b>\$45,218</b>
<b>Charges for services</b>	<b>\$64,200</b>	<b>\$64,200</b>	<b>\$65,280</b>	<b>\$1,080</b>
<b>Miscellaneous</b>				
Interest earnings	\$15,000	\$15,000	\$8,719	(\$6,281)
Other	4,150	4,150	8,734	4,584
<b>Total miscellaneous</b>	<b>\$19,150</b>	<b>\$19,150</b>	<b>\$17,452</b>	<b>(\$1,698)</b>
<b>Total Revenues</b>	<b>\$1,061,164</b>	<b>\$1,061,164</b>	<b>\$1,105,764</b>	<b>\$44,600</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$604,318	\$604,318	\$619,430	(\$15,112)
Other services and charges	80,350	80,350	64,618	15,732
Supplies	3,000	3,000	2,067	933
Capital outlay	6,250	6,250	65,474	(59,224)
<b>Total district operations</b>	<b>\$693,918</b>	<b>\$693,918</b>	<b>\$751,589</b>	<b>(\$57,671)</b>
<b>Project expenditures</b>				
District	\$40,100	\$40,100	\$52,615	(\$12,515)
State	327,146	327,146	284,708	42,438
<b>Total project expenditures</b>	<b>\$367,246</b>	<b>\$367,246</b>	<b>\$337,323</b>	<b>\$29,923</b>
<b>Total Expenditures</b>	<b>\$1,061,164</b>	<b>\$1,061,164</b>	<b>\$1,088,912</b>	<b>(\$27,748)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,852</b>	<b>\$16,852</b>
<b>Fund Balance - January 1</b>	<b>\$294,982</b>	<b>\$294,982</b>	<b>\$308,584</b>	<b>\$0</b>
<b>Fund Balance - December 31</b>	<b>\$294,982</b>	<b>\$294,982</b>	<b>\$325,436</b>	<b>\$16,852</b>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE  
2012**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 13,314.84
WETLAND MONEY	\$ 13,167.00
FEEDLOT MONEY	\$ 22,697.10
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u>\$259,178.94</u>

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

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

**DEFERRED REVENUE BREAKDOWN  
2012**

Balance of BWSR Service Grants: \$20,133.00  
 Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$31576.00  
Previous fiscal year \$19683.59

Balance of encumbered BWSR Cost-Share Grant (list each contract separately):

FY	Contract No.	Contract Amount	T & A Encumbered
FY2011	FY11-20	\$65.00	\$16.25
FY2012	FY11-20	\$1,195.00	\$298.75
FY2012	FY12-07	\$724.25	\$181.06
FY2012	FY12-09	\$483.75	\$120.84
FY2012	FY12-10	\$945.00	\$298.75
FY2011	FWQMG11-3	\$51,000.00	\$13,053.60
FY2012	CWF FY12-1	\$90,150.00	\$5,046.00
FY2012	CWF FY12-2	\$80,000.00	\$5,686.00

Total of all Cost-Share Encumbrances \$249,201.85

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$0.00

Balance of other funds being deferred (list if any):

BWSR FY11 Competitive Grazing Grant	\$69,283.62
BWSR CWL.SE JPB Nutrient Management Grant	\$35,782.37
BWSR MRBI Technical Assistance Grant	\$ 3,315.13
LWP Challenge Grant	\$ 7,936.90
BWSR Easement Delivery Grant	<u>\$ 2,145.00</u>

Subtotal of other funds: \$117,463.02

**TOTAL OF ALL DEFERRED REVENUE: \$438,057.46**

Capital Assets

Year End 12/31/2012

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2012 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation	Asset Balance
Buildings	District Building		1997	35	\$ 109,407.00			\$ -	\$ 109,407.00	\$ 43,762.79	\$ 3,125.91	\$ -	\$ 46,888.70	\$ 62,518.30
	District Building Updates		2009	10	\$ 2,405.22				\$ 2,405.22	\$ 721.56	\$ 240.52	\$ -	\$ 962.08	\$ 1,443.14
Vehicles	2004 Dodge Dakota		2004	7	\$ 12,958.00				\$ 12,958.00	\$ 12,958.00	\$ -	\$ -	\$ 12,958.00	\$ -
	2002 Dodge Grand Caravan		2006	7	\$ 6,481.75				\$ 6,481.75	\$ 5,555.76	\$ 925.99	\$ -	\$ 6,481.75	\$ -
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75				\$ 15,751.75	\$ 11,251.26	\$ 2,250.25	\$ -	\$ 13,501.51	\$ 2,250.24
	2011 Chevy Silverado PU		2011	7	\$ 23,247.00			\$ 23,247.00	\$ 23,247.00	\$ 3,321.00	\$ 19,926.00	\$ 23,247.00	\$ -	\$ -
	2013 Chevy Silverado PU		2012	7			\$ 3,400.63		\$ 3,400.63	\$ -	\$ 485.80	\$ -	\$ 485.80	\$ 2,914.83
Equipment, furniture and vehicles	Tree Planter		1952	15	\$ 500.00			\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00	\$ -
	File Cabinets	Conservation	1988	10	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Wall Dividers & legs (4)		1988	10	\$ 800.00			\$ -	\$ 800.00	\$ 800.00	\$ -	\$ -	\$ 800.00	\$ -
	2-way hand radios		1989	5	\$ 1,000.00			\$ -	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00	\$ -
	Gopher Poisoning Machine		1990	15	\$ 1,350.00			\$ -	\$ 1,350.00	\$ 1,350.00	\$ -	\$ -	\$ 1,350.00	\$ -
	Survey Level/Tripod/Survey Rod		1993	15	\$ 2,000.00			\$ -	\$ 2,000.00	\$ 2,000.00	\$ -	\$ -	\$ 2,000.00	\$ -
	Back-saver Soil Probe		1993	15	\$ 500.00			\$ -	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ 500.00	\$ -
	Grass Seeder		1998	15	\$ 1,000.00			\$ -	\$ 1,000.00	\$ 866.68	\$ 66.67	\$ -	\$ 933.35	\$ 66.65
	Pressure transducer		1999	5	\$ 597.63			\$ -	\$ 597.63	\$ 597.63	\$ -	\$ -	\$ 597.63	\$ -
	CR510 Dataloggers/software		1999	3	\$ 3,282.23			\$ -	\$ 3,282.23	\$ 3,282.23	\$ -	\$ -	\$ 3,282.23	\$ -
	Display Board		1999	10	\$ 737.76			\$ -	\$ 737.76	\$ 737.76	\$ -	\$ -	\$ 737.76	\$ -
	Office Furniture		1999	10	\$ 9,153.68			\$ -	\$ 9,153.68	\$ 9,153.68	\$ -	\$ -	\$ 9,153.68	\$ -
	YSI 85/50 Ft Meter - DO, Temp, Conductivity		1999	10	\$ 1,454.83			\$ -	\$ 1,454.83	\$ 1,454.83	\$ -	\$ -	\$ 1,454.83	\$ -
	Tree Planter		2000	15	\$ 6,810.67			\$ -	\$ 6,810.67	\$ 4,994.48	\$ 454.04	\$ -	\$ 5,448.52	\$ 1,362.15
	ArcView 3.2 for Windows		2000	3	\$ 1,031.45			\$ -	\$ 1,031.45	\$ 1,031.45	\$ -	\$ -	\$ 1,031.45	\$ -
	EPSON Stylus Pro 9000 Plotter		2000	7	\$ 8,350.90			\$ -	\$ 8,350.90	\$ 8,350.90	\$ -	\$ -	\$ 8,350.90	\$ -
	DELL Computer w/accessories		2000	5	\$ 2,406.93			\$ -	\$ 2,406.93	\$ 2,406.93	\$ -	\$ -	\$ 2,406.93	\$ -
	GPS Unit w/receiver		2000	5	\$ 6,107.78			\$ -	\$ 6,107.78	\$ 6,107.78	\$ -	\$ -	\$ 6,107.78	\$ -
	Spatial Analyst for ArcView		2000	3	\$ 2,405.30			\$ -	\$ 2,405.30	\$ 2,405.30	\$ -	\$ -	\$ 2,405.30	\$ -
	Karst Trunk		2000	10	\$ 4,444.00			\$ -	\$ 4,444.00	\$ 4,444.00	\$ -	\$ -	\$ 4,444.00	\$ -
	Office furniture (GIS Station)		2001	10	\$ 1,604.74			\$ -	\$ 1,604.74	\$ 1,604.74	\$ -	\$ -	\$ 1,604.74	\$ -
	Spatial Analysts extention for Arcview 8.1		2001	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	ArcView 8.1		2001	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Ricoh 1035P Copier w/accessories		2002	7	\$ 5,349.00			\$ 5,349.00	\$ -	\$ 5,349.00	\$ -	\$ 5,349.00	\$ -	\$ -
	Desk Unit		2002	10	\$ 1,595.00			\$ -	\$ 1,595.00	\$ 1,435.50	\$ 159.50	\$ -	\$ 1,595.00	\$ -
	Canon N676U Scanner		2002	5	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00			\$ -	\$ 11,966.00	\$ 7,179.58	\$ 797.73	\$ -	\$ 7,977.31	\$ 3,988.69
	OrthoMapper		2003	3	\$ 2,517.00			\$ -	\$ 2,517.00	\$ 2,517.00	\$ -	\$ -	\$ 2,517.00	\$ -
	DELL GIS Computer System		2003	5	\$ 1,455.00			\$ -	\$ 1,455.00	\$ 1,455.00	\$ -	\$ -	\$ 1,455.00	\$ -
	Eagle Point CAD Software		2005	3	\$ 600.00			\$ -	\$ 600.00	\$ 600.00	\$ -	\$ -	\$ 600.00	\$ -
	Auto CAD Software		2005	3	\$ 1,800.00			\$ -	\$ 1,800.00	\$ 1,800.00	\$ -	\$ -	\$ 1,800.00	\$ -
	Laptop Computer HP H25		2005	5	\$ 1,300.00			\$ -	\$ 1,300.00	\$ 1,300.00	\$ -	\$ -	\$ 1,300.00	\$ -
	GPS Mobilemapper CE + Acces.		2005	3	\$ 4,659.99			\$ -	\$ 4,659.99	\$ 4,659.99	\$ -	\$ -	\$ 4,659.99	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00			\$ -	\$ 1,330.00	\$ 1,330.00	\$ -	\$ -	\$ 1,330.00	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31			\$ -	\$ 955.31	\$ 764.24	\$ 191.07	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31			\$ -	\$ 955.31	\$ 764.24	\$ 191.07	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.30			\$ -	\$ 955.30	\$ 764.24	\$ 191.06	\$ -	\$ 955.30	\$ -
	Windows Vista w/visent		2008	3	\$ 814.73			\$ -	\$ 814.73	\$ 814.73	\$ -	\$ -	\$ 814.73	\$ -
	Office Professional Plus		2008	3	\$ 3,322.80			\$ -	\$ 3,322.80	\$ 3,322.80	\$ -	\$ -	\$ 3,322.80	\$ -
	ArcView		2008	3	\$ 6,532.62			\$ -	\$ 6,532.62	\$ 6,532.62	\$ -	\$ -	\$ 6,532.62	\$ -
	Arc GIS Spatial Analyst		2008	3	\$ 2,177.05			\$ -	\$ 2,177.05	\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -
	Arc GIS Publisher		2008	3	\$ 2,177.05			\$ -	\$ 2,177.05	\$ 2,177.05	\$ -	\$ -	\$ 2,177.05	\$ -
	Acrobat Pro/Endpoint protection Software		2008	3	\$ 679.48			\$ -	\$ 679.48	\$ 679.48	\$ -	\$ -	\$ 679.48	\$ -
	Buffalo Terastation Pro II		2008	5	\$ 1,059.66			\$ -	\$ 1,059.66	\$ 847.72	\$ 211.94	\$ -	\$ 1,059.66	\$ -
	HP switch and Firewall Router		2008	5	\$ 534.33			\$ -	\$ 534.33	\$ 427.48	\$ 106.85	\$ -	\$ 534.33	\$ -

**Capital Assets**

Year End 12/31/2012

**Exhibit 3**

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning	2012	<\$500	Ending	Asset Balance
										Accumulated Depreciation	Depreciation	Deletion	Accumulated Depreciation	
	HP CP2025 DN Printer & Tray		2008	5	\$ 930.81		\$ -	\$ 930.81	\$ 744.64	\$ 186.17	\$ -	\$ -	\$ 930.81	\$ -
	Desk Unit		2008	10	\$ 1,789.47		\$ -	\$ 1,789.47	\$ 715.80	\$ 178.95	\$ -	\$ -	\$ 894.75	\$ 894.72
	Turbidity Sensors & Cables	TMDL	2008	5	\$ 22,792.31			\$ 22,792.31	\$ 18,233.84	\$ 4,558.47	\$ -	\$ -	\$ 22,792.31	\$ -
	Data Logger & Software	TMDL	2008	3	\$ 937.98			\$ 937.98	\$ 937.98	\$ -	\$ -	\$ -	\$ 937.98	\$ -
	Site Mate Scouting Software	TMDL	2008	3	\$ 1,065.00			\$ 1,065.00	\$ 1,065.00	\$ -	\$ -	\$ -	\$ 1,065.00	\$ -
	Dell Latitude D630 laptop	TMDL	2008	5	\$ 1,747.76			\$ 1,747.76	\$ 1,398.20	\$ 349.56	\$ -	\$ -	\$ 1,747.76	\$ -
	HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01			\$ 845.01	\$ 676.00	\$ 169.01	\$ -	\$ -	\$ 845.01	\$ -
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69			\$ 1,010.69	\$ 808.56	\$ 202.13	\$ -	\$ -	\$ 1,010.69	\$ -
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ 942.53		\$ -	\$ 942.53	\$ 565.53	\$ 188.51	\$ -	\$ -	\$ 754.04	\$ 188.49
	Office Pro Plus Software		2009	3	\$ 610.25		\$ -	\$ 610.25	\$ 610.25	\$ -	\$ -	\$ -	\$ 610.25	\$ -
	Office Professional Plus Renewal		2009	3	\$ 2,828.64		\$ -	\$ 2,828.64	\$ 2,828.64	\$ -	\$ -	\$ -	\$ 2,828.64	\$ -
	HP Z400 Computer & Memory		2010	5	\$ 1,491.97			\$ 1,491.97	\$ 596.78	\$ 298.39	\$ -	\$ -	\$ 895.17	\$ 596.80
	Windows 7 Upgrade		2010	3	\$ 599.57			\$ 599.57	\$ 399.72	\$ 199.85	\$ -	\$ -	\$ 599.57	\$ -
	Pressure vacuum handpump w/gauge		2010	5	\$ 691.24			\$ 691.24	\$ 276.50	\$ 138.25	\$ -	\$ -	\$ 414.75	\$ 276.49
	Eppendorf Repeater plus pipettor and tips		2010	5	\$ 752.20			\$ 752.20	\$ 300.88	\$ 150.44	\$ -	\$ -	\$ 451.32	\$ 300.88
	Tile drain control structure	Sm. Watershed	2011	5	\$ 925.75			\$ 925.75	\$ 185.15	\$ 185.15	\$ -	\$ -	\$ 370.30	\$ 555.45
	Isco sampler interface & cable	Sm. Watershed	2011	3	\$ 605.00			\$ 605.00	\$ 201.67	\$ 201.67	\$ -	\$ -	\$ 403.34	\$ 201.66
	Data logger w/keyboard & display	Sm. Watershed	2011	3	\$ 1,853.32			\$ 1,853.32	\$ 617.77	\$ 617.77	\$ -	\$ -	\$ 1,235.54	\$ 617.78
	Camcorder, tripod, mic, memory & case	Sm. Watershed	2011	5	\$ 742.84			\$ 742.84	\$ 148.57	\$ 148.57	\$ -	\$ -	\$ 297.14	\$ 445.70
	Nitrate Monitoring Sensors, Install Kits	Comp Strategy	2012	5		\$ 58,470.28	\$ 58,470.28	\$ -	\$ 11,694.06	\$ -	\$ -	\$ -	\$ 11,694.06	\$ 46,776.22
	Controller & warranty	Comp Strategy	2012	5		\$ 2,185.59	\$ 2,185.59	\$ -	\$ 437.12	\$ -	\$ -	\$ -	\$ 437.12	\$ 1,748.47
	Solar Panels	Comp Strategy	2012	5		\$ 600.72	\$ 600.72	\$ -	\$ 120.14	\$ -	\$ -	\$ -	\$ 120.14	\$ 480.58
	Pressure Transducer	Sm. Watershed	2012	5		\$ 816.85	\$ 816.85	\$ -	\$ 163.37	\$ -	\$ -	\$ -	\$ 163.37	\$ 653.48
					\$ 327,476.59	\$ -	\$ 65,474.07	\$ 28,596.00	\$ 364,354.66	\$ 215,157.96	\$ 49,511.99	\$ 28,596.00	\$ 236,073.95	\$ 128,280.71

	1/1/2012	12/31/2012	FY2011 Ending Fixed Asset Balance	\$ 327,476.59
Capital Assets	\$ 327,476.59	\$ 364,354.66	FY2012 Additions	\$ 65,474.07
Accumulated Depreciation	\$ 215,157.96	\$ 236,073.95	FY2012 Deletions	\$ 28,596.00
Net book value	\$ 112,318.63	\$ 128,280.71		\$ 364,354.66

Depreciation Expense \$ 49,511.99

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Fillmore Soil and Water Conservation District conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

**A. Financial Reporting Entity**

The district is organized under the provisions of Minnesota Statutes Chapter 103C and 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 County.

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 Fillmore County Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, 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 that 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.

The District is not considered a part of Fillmore County because, even though the County provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

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.

**B. Basis of Presentation - Fund Accounting**

The accounts of the Fillmore County Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid paid time off that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all 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 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.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

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. If the District also receives an annual appropriation from the County, it 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.



Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

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.

D. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

E. 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.

Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long Term Debt Account Group.

3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Nonspendable fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

Unrestrictive, committed or assigned account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unrestricted, unassigned fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Assets 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 report in Note IV.

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Paid Time Off

Under the District's personnel policies, employees are granted paid time off (PTO) in varying amounts based on their length of service. PTO accrual varies from 3.69 to 10.17 hours per month. Upon termination from the District by retirement, employees are paid accrued PTO and up to 50% of accrued sick leave. On termination of employment, employees are paid accrued PTO and up to 50% of hours of accrued sick leave up to a maximum of 400 hours as of December 31, 2012.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

As of December 31, 2012, the District's General Fund had a deficit fund balance of \$N/A.

B. Excess of Expenditures Over Budget

During 2012, actual expenditures, \$N/A, exceeded budgeted expenditures, \$N/A, by \$N/A.

C. Uncollateralized deposits

During 2012, the District's deposits with financial institution did not exceed insurance, surety bond, or collateral.

### III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2012, the District's deposits totaled \$624,716.59, of which \$63,771.30 was cash deposits and \$560,945.29 was invested in certificates of deposit and a money market account. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2012, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

### IV. CHANGES IN CAPITAL ASSETS

#### Equipment

Balance January 1, 2012	\$112,318.63
Additions	\$ 65,474.07
2012 depreciation	\$ 49,511.99
Balance December 31, 2012	\$128,280.71

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$236,073.95 as of December 31, 2012.

The District uses a threshold of \$500.00 for capitalizing assets purchased. Those physical assets under \$500.00 are expenses directly and not capitalized.

### V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Fillmore County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$438,057.46.

### VI. FUND EQUITY ACCOUNTS

#### DEFINITIONS:

##### Fund Balance

The excess of the assets of a fund over its liabilities and reserves.

##### Designated for Compensated Absences

An account to segregate a portion of Fund Balance for expenditures to District Employees for vested compensated absences accrued as outlined in the District's Personnel Policy Handbook.

Designated for Cash Flow/Operating Expenses

An account used to segregate a portion of fund balances to allow for a sufficient amount of cash to be available to meeting operating expenses during the fiscal period without having to resort temporarily borrowing between receipt of major revenue items and /or absences of planned allocations and/or grants.

Designated for Capital Outlay

An account used to segregate a portion of fund balances for expenditures on capital outlay based on an approved “Long Range Plan-Equipment Investment Schedule”.

DESIGNATION OF THE FUND BALANCE OF THE GENERAL FUND:

Total Fund Balances as of December 31, 2011: \$325,436.00

VI. COMPENSATED ABSENCES PAYABLE

The District Administrator will maintain a designation for compensated absences vested by employees on the official books and records of the District and shall annually adjust this designation so that it equals the sum of the General fund’s Compensated Absences of liability as of December 31<sup>st</sup>. This amount also includes \$10,000.00 of self-insured unemployment insurance funds.

Changes in long-term debt for the period ended December 31, 2012 are:

Balance January 1, 2012	\$61,300.35
Net Changes in Compensated Absences\$	(819.14)
Balance December 31, 2012	\$60,481.21

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers’ compensation are insured through Minnesota Counties Intergovernmental Trust. The District is covered for errors and omissions through Minnesota Counties Intergovernmental Trust.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

## VIII. PENSION PLAN

### A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

### B. 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 District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members were required to contribute 6.25% of their annual covered salary in 2012. The District was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan PERF members. The District's employer share of contributions to PERA for the years ending December 31, 2012, 2011, and 2010 were \$30,260.42, \$29,337.22, and \$25,926.38 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

## IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2012 were \$18,378.72.