

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 2011. 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 2011 from \$340,464 to \$366,445. In contrast, last year net assets decreased by \$57,511. 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>2011</u>	<u>2010</u>
Current and other assets	\$ 661,358	\$ 874,013
Capital assets	\$ 112,319	\$ 107,569
Total assets	\$ 773,677	\$ 981,582
Long-term liabilities	\$ 61,300	\$ 62,087
Other liabilities	\$ 345,930	\$ 579,031
Total liabilities	\$ 407,230	\$ 641,118
Net assets		
Invested in capital assets, net of debt	\$ 112,319	\$ 107,569
Restricted	\$ 223,421	\$ 194,867
Unrestricted	\$ 30,706	\$ 38,028
Total net assets	\$ 366,445	\$ 340,464

Net assets of the SWCD governmental activities increased by 7.6 percent (\$366,445 compared to \$340,464). 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 \$38,028 surplus on December 31, 2010 to a \$30,706 surplus at the end of this year.

This surplus in unrestricted governmental net assets arose primarily because of the following factors. Although total assets decreased by about \$207,905 in 2011, total liabilities also decreased. Liabilities decreased, in large part, because of a reduction of \$227,059 in deferred revenues from 2010 to 2011. It should be noted that this amount was affected by BWSR's FY10 and FY11 grant policy of withholding 10 percent of the grant funds until all grant requirements are met and the FY12 grant policy of paying 50 percent upfront, followed by a 40 percent payment when the first 50 percent is expended, and paying the last 10 percent when all projects are completed. The 2011 decreases in assets and liabilities were a result of more projects being completed, which also provided more technical assistance and administrative funds to the SWCD. 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. With that change, compensated absences decreased by \$787 from 2010 to 2011.

TABLE 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues:		
Charges for service	\$ 60,084	\$ 52,927
Local grants	\$ 23,194	\$ 10,000
State grants and entitlements	\$1,225,143	\$ 717,422
County Grants	\$ 255,278	\$ 262,716
Miscellaneous revenues		
Investment earnings	\$ 16,787	\$ 24,446
Other misc.	\$ 6,255	\$ 5,214
Federal entitlements	\$ 40,326	
Other general revenues		
Total revenues	\$1,627,067	\$1,072,725
Program expenses		
General government		
Conservation		
Current	\$1,579,247	\$1,130,236
Capital Outlay	\$ 27,374	\$
Total expenses	\$1,606,621	\$1,130,236
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net assets	\$ 20,446	\$ (57,511)

The SWCD's total revenues (excluding special items) increased significantly by 52 percent (\$554,341). This increase was largely due to the number of projects funded by state grants that were completed, including nine large feedlot projects. The increase in revenues was partially offset by a decrease in interest earnings, which were down \$7,659 from 2010 to 2011. Other increases in revenue came from federal funds of \$40,326 received for completing conservation plans for 80 CRP enrollments, 58 of which were enrolled in the General Signups #39 and #41 plus revenues from two

smaller NRCS Contribution Agreements for completing EQIP projects. The total cost of all programs and services increased significantly by \$476,385 in 2011 compared to 2010, which includes the payments for all the state cost share projects that were completed. Unfortunately, several landowners cancelled cost share contracts during the year, which resulted in over \$219,000 in grant funds returned to BWSR including lost technical assistance funds.

Governmental Activities

Revenues for the SWCD governmental activities increased by 52 percent (\$554,341) while total expenses increased 42 percent (\$476,385). The net assets for governmental activities increased in 2011 by \$20,446. This compares to a decrease of \$57,511 in net assets in 2010.

The SWCD did not request an increase in its county allocation in 2011, so it remained at \$210,000, which was the same amount received since 2008 and also what was approved for 2012. 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 federal funding mentioned above. Contracts for technical assistance funds from BWSR for \$25,000 and from The Nature Conservancy and NRCS for \$309,600 were the result of two successful applications to NRCS for the Mississippi River Basin Initiative (MRBI). Those funds support one FTE plus portions of three other positions. The MRBI applications for the Watson Creek watershed and the Upper South Fork Root River/Wisel Creek watershed provide over \$500,000 per year in EQIP funds for conservation practices in these watersheds. The SWCD completed the third year as the lead agency for the Root River Turbidity TMDL under a contract with the MPCA. Another contract with MPCA was signed in March to be the lead agency for the Root River Comprehensive Strategy, which involves continued water quality monitoring, civic engagement activities and administration of subcontracts. The SWCD is in its third year as the primary administrator of funds for the MN Department of Agriculture's "Field to Stream" edge-of-field monitoring project which supports two staff positions and pays for administration of several subcontracts.

The cost of all governmental activities this year was \$1,606,621 compared to \$1,130,236 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, increased from \$1,072,725 in 2010 to \$1,627,066 in 2011 principally based on local and state grants and federal revenues. The SWCD paid for the remaining "public benefit" portion of governmental activities with \$0 in taxes and with other revenues, such as interest (\$16,787) and other miscellaneous revenues (\$6,255).

Table 3 presents the cost of each of the SWCD's three largest programs— Feedlot water quality management cost share, flood relief 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	
	2011	2010	2011	2010
Feedlot Water				
Quality Management	\$ 532,855	\$ 226,500	\$ 412,587	\$ 143,500
Flood Relief Cost Share	118,800	33,391	113,388	19,494
State Cost Share	20,695	25,973	19,686	19,480
Totals	<u>\$ 673,350</u>	<u>\$ 285,864</u>	<u>\$ 545,661</u>	<u>\$ 182,474</u>

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 \$366,445, which is above last year's total of \$294,982. Included in this year's total change in fund balance, however, is an increase of \$20,446 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 2011 budget.

Without any adjustments, the actual changes to appropriations were \$7,035 below the final budget amounts. A decrease in state grant revenues of \$31,537 was the largest variation which was primarily offset by an increase in interest earnings of \$3,213 and in federal revenues of \$25,326 over what was budgeted. The variance in expenditures was \$27,481 below the final budget, so the final result was an excess of revenues over expenditures of \$20,446. The most significant variance from the budget in expenditures occurred in the SWCD's expenditures for other services and charges (under budget by \$24,048), the largest reductions being \$5,577 and \$6,761, respectively, for postage and insurance. Expenditures for District and State projects were less than what was budgeted by \$12,526. The Board did approve a 1% cost of living increase for staff in 2011. Step increases were given as scheduled to all employees in recognition of the need to keep highly qualified and dedicated employees. One staff position was added in October funded by the MRBI technical assistance funds from The Nature Conservancy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the SWCD had \$112,319 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 \$4,750.00, or 4.23 percent, from last year.

Table 4
Capital Assets at Year-end

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Conservation Building	\$ 65,644	\$ 68,770
Equipment	\$ 46,675	\$ 38,799
	<u>\$112,319</u>	<u>\$107,569</u>

This year's major additions included:

Equipment for MDA Small Watershed Project	\$ 4,127
2011 Chevrolet Pickup	<u>\$ 23,247</u>
	\$ 27,374

The SWCD's fiscal-year 2012 capital budget calls for spending \$6,250 for capital projects by adding small amounts to build each of the designated funds, including the 3-month operating 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 vacation pay and sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fillmore SWCD's elected officials considered many factors when setting the fiscal-year 2012 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 after reductions to \$23,281 in 2010 and \$23,520 in 2011 compared to \$43,432 in FY09.

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. Landowner requests to NRCS for sodbusting and wetland tiling have increased dramatically.

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 free services of the SWCD's Grazing Specialist, Nutrient Management Specialist, and Feedlot Technician. Nine large feedlot runoff control projects were completed in 2011 along with 2 smaller projects. A FY12 Clean Water Fund application for \$180,882 was approved for two feedlot projects, both of which should be completed in 2012 along with three funded in FY11. Those projects have technical assistance funds tied to them which help to support the technician position. The Grazing Specialist assisted 24 producers with developing and implementing grazing plans in the Root River and Whitewater River watersheds. Plans have been implemented on over 3200 acres. This position is funded through 2013. The Nutrient Management Specialist serves five counties and has 155 contacts covering over 60,000 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 extends 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 will be extended for one year to 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 for the funding available through EQIP and WHIP. 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, which is a service that can also generate income for the SWCD. Although maintaining the lab certification is costly, it is a service that is especially beneficial 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. Health insurance rates are increasing by 8% in 2012. Reducing the allowable cap on PTO accumulation will help 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, 2011

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$657,725		\$657,725
Accounts receivable	2,577		2,577
Interest Receivable	1,056		1,056
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		112,319	112,319
Total Assets	<u><u>\$661,358</u></u>	<u><u>\$112,319</u></u>	<u><u>\$773,677</u></u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$0		\$0
Trees Prepaid Deposits	\$1,041		\$1,041
Earnest Money	\$2,000		\$2,000
Payroll tax payable	\$967		\$967
Salaries payable	9,116		9,116
Sales tax payable	552		552
Deferred revenue	332,254		332,254
Long-term liabilities:			0
Due within one year		0	0
Due after one year		61,300	61,300
Total Liabilities	<u><u>\$345,930</u></u>	<u><u>\$61,300</u></u>	<u><u>\$407,230</u></u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	223,421	(223,421)	0
Unassigned	92,008	(92,008)	0
Total Fund Balance	<u><u>\$315,428</u></u>	<u><u>(\$315,428)</u></u>	<u><u>\$0</u></u>
Net Assets			
Invested in capital assets		\$112,319	\$112,319
Designated Fund Balance		\$223,421	\$223,421
Unassigned		30,706	30,706
Total Net Assets		<u><u>\$366,445</u></u>	<u><u>\$366,445</u></u>

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, 2011

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$1,543,941	\$0	\$1,543,941
Charges for services	60,084	0	60,084
Investment earnings	16,787	0	16,787
Miscellaneous	6,255	0	6,255
Total Revenues	<u>\$1,627,067</u>	<u>\$0</u>	<u>\$1,627,067</u>
Expenditures/Expenses			
Conservation			
Current	\$1,579,247	\$21,838	\$1,601,085
Capital outlay	27,374	(27,374)	0
Total Expenditures/Expenses	<u>\$1,606,621</u>	<u>(\$5,536)</u>	<u>\$1,601,085</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$20,446	\$5,536	\$25,982
Fund Balance/Net Assets January 1	<u>294,982</u>	<u>38,028</u>	<u>340,464</u>
Fund Balance/Net Assets December 31	<u><u>\$315,428</u></u>	<u><u>\$43,564</u></u>	<u><u>\$366,447</u></u>

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, 2011

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$259,122	259,122	\$255,278	(\$3,844)
Local	17,600	17,600	23,194	5,594
Federal	15,000	15,000	40,326	25,326
State grant	1,256,680	1,256,680	1,225,143	(31,537)
	<u>\$1,548,402</u>	<u>\$1,548,402</u>	<u>\$1,543,941</u>	<u>(\$4,461)</u>
Charges for services	\$62,100	\$62,100	\$60,084	(\$2,016)
Miscellaneous				
Interest earnings	\$20,000	\$20,000	\$16,787	(\$3,213)
Other	3,600	3,600	6,255	2,655
Total miscellaneous	\$23,600	\$23,600	\$23,041	(\$559)
Total Revenues	\$1,634,102	\$1,634,102	\$1,627,067	(\$7,035)
Expenditures				
District operations				
Personnel services	\$551,722	551,722	\$558,030	(\$6,308)
Other services and charges	89,850	89,850	65,802	24,048
Supplies	3,500	3,500	2,215	1,285
Capital outlay	48,356	48,356	27,374	20,982
Total district operations	\$693,428	\$693,428	\$653,421	\$40,007
Project expenditures				
District	\$44,450	44,450	\$41,084	\$3,366
State	896,224	896,224	912,116	(15,892)
Total project expenditures	\$940,674	\$940,674	\$953,200	(\$12,526)
Total Expenditures	\$1,634,102	\$1,634,102	\$1,606,621	\$27,481
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$20,446	\$20,446
Fund Balance - January 1	\$326,287	\$326,287	\$294,982	\$0
Fund Balance - December 31	\$326,287	\$326,287	\$315,428	\$20,446

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2011**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 14,583.28
WETLAND MONEY	\$ 12,945.00
FEEDLOT MONEY	\$ 17,750.00
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u>\$ 255,278.28</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
2011**

Balance of BWSR Service Grants: \$22,268.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$31,576.00
 Previous fiscal year \$90,874.10

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY10	FY10-12	3,000.00	750.00
FY11	FY11-10	488.00	122.00
	FY11-12	987.00	246.75
	FY11-14	680.00	170.00
	FY11-15	635.60	158.90
	FY11-16	3,978.00	994.50
	FWQMGFY- 11	60,000.00	8,987.50

Total of all Cost-Share Encumbrances \$ 81,198.25

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$0.00

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

<u>BWSR FY11 Competitive Grazing Grant</u>	\$113,684.00	
<u>BWSR CWL/SE JPB Nutrient Mgmt Specialist Grant</u>	\$ 21,448.24	
<u>BWSR FY11 MRBI Technical Assistance Grant</u>	\$ 13,553.63	
<u>BWSR CWL Grazing Specialist Grant</u>	\$ 5,873.99	
<u>LWP Challenge Grant</u>	\$ 7,936.90	
Subtotal of other funds:		\$162,496.75

TOTAL OF ALL DEFERRED REVENUE: **\$388,413.10******

**** Deferred revenue total includes \$56,159.00 being withheld by BWSR for FY2011 Clean Water Fund and General Feedlot Water Quality Management Grant

Capital Assets

Year End 12/31/2011

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning	2011	Exhibit 3	Ending	Asset Balance
										Accumulated Depreciation	Depreciation	<\$500 Deletion	Accumulated Depreciation	
Buildings	District Building		1997	35	\$ 109,407.00		\$ -	\$ 109,407.00	\$ 40,636.88	\$ 3,125.91	\$ -	\$ 43,762.79	\$ 65,644.21	
	District Building Updates		2009	10	\$ 2,405.22		\$ -	\$ 2,405.22	\$ 481.04	\$ 240.52	\$ -	\$ 721.56	\$ 1,683.66	
Vehicles	2001 Chevy Pick-up		2001	7	\$ 30,193.00		\$ 30,193.00	\$ -	\$ 30,193.00	\$ -	\$ 30,193.00	\$ -	\$ -	
	2004 Dodge Dakota		2004	7	\$ 12,958.00		\$ -	\$ 12,958.00	\$ 11,646.77	\$ 1,311.23	\$ -	\$ 12,958.00	\$ -	
	2002 Dodge Grand Caravan		2006	7	\$ 6,481.75		\$ -	\$ 6,481.75	\$ 4,629.80	\$ 925.96	\$ -	\$ 5,555.76	\$ 925.99	
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75		\$ -	\$ 15,751.75	\$ 9,001.01	\$ 2,250.25	\$ -	\$ 11,251.26	\$ 4,500.49	
	2011 Chevy Silverado PU		2011	7		\$ 23,247.00	\$ -	\$ 23,247.00	\$ -	\$ 3,321.00	\$ -	\$ 3,321.00	\$ 19,926.00	
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	\$ -	
	Tractor	Conservation	1994	15	\$ 5,500.00		\$ 5,500.00	\$ -	\$ 5,500.00	\$ -	\$ 5,500.00	\$ -	\$ -	
	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	\$ 800.01	\$ 66.67	\$ -	\$ 866.68	\$ 133.32	
	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	\$ 4,540.43	\$ 454.04	\$ -	\$ 4,994.47	\$ 1,816.20	
	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	\$ 1,444.25	\$ 160.49	\$ -	\$ 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	\$ 1,276.00	\$ 159.50	\$ -	\$ 1,435.50	\$ 159.50	
	Canon N676U Scanner		2002	5	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Total Station Equipment		2002	15	\$ 11,966.00		\$ -	\$ 11,966.00	\$ 6,381.85	\$ 797.73	\$ -	\$ 7,179.58	\$ 4,786.42	
	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	\$ 573.18	\$ 191.06	\$ -	\$ 764.24	\$ 191.07	
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31		\$ -	\$ 955.31	\$ 573.18	\$ 191.06	\$ -	\$ 764.24	\$ 191.07	
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.30		\$ -	\$ 955.30	\$ 573.18	\$ 191.06	\$ -	\$ 764.24	\$ 191.06	
	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	\$ -	

Capital Assets

Year End 12/31/2011

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Beginning	2011	Exhibit 3		Ending	Asset Balance
									Ending Balance	Accumulated Depreciation	Depreciation	<\$500 Deletion	Accumulated Depreciation	
	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	\$ 635.79	\$ 211.93	\$ -	\$ -	\$ 847.72	\$ 211.94
	HP switch and Firewall Router		2008	5	\$ 534.33		\$ -	\$ 534.33	\$ 320.61	\$ 106.87	\$ -	\$ -	\$ 427.48	\$ 106.85
	HP CP2025 DN Printer & Tray		2008	5	\$ 930.81		\$ -	\$ 930.81	\$ 558.48	\$ 186.16	\$ -	\$ -	\$ 744.64	\$ 186.17
	Desk Unit		2008	10	\$ 1,789.47		\$ -	\$ 1,789.47	\$ 536.85	\$ 178.95	\$ -	\$ -	\$ 715.80	\$ 1,073.67
	Turbidity Sensors & Cables	TMDL	2008	5	\$ 22,792.31		\$ -	\$ 22,792.31	\$ 13,675.38	\$ 4,558.46	\$ -	\$ -	\$ 18,233.84	\$ 4,558.47
	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	\$ 1,048.65	\$ 349.55	\$ -	\$ -	\$ 1,398.20	\$ 349.56
	HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01		\$ -	\$ 845.01	\$ 507.00	\$ 169.00	\$ -	\$ -	\$ 676.00	\$ 169.01
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69		\$ -	\$ 1,010.69	\$ 606.42	\$ 202.14	\$ -	\$ -	\$ 808.56	\$ 202.13
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ 942.53		\$ -	\$ 942.53	\$ 377.02	\$ 188.51	\$ -	\$ -	\$ 565.53	\$ 377.00
	Office Pro Plus Software		2009	3	\$ 610.25		\$ -	\$ 610.25	\$ 406.84	\$ 203.41	\$ -	\$ -	\$ 610.25	\$ -
	Office Professional Plus Renewal		2009	3	\$ 2,828.64		\$ -	\$ 2,828.64	\$ 1,885.76	\$ 942.88	\$ -	\$ -	\$ 2,828.64	\$ -
	HP Z400 Computer & Memory		2010	5	\$ 1,491.97		\$ -	\$ 1,491.97	\$ 298.39	\$ 298.39	\$ -	\$ -	\$ 596.78	\$ 895.19
	Windows 7 Upgrade		2010	3	\$ 599.57		\$ -	\$ 599.57	\$ 199.86	\$ 199.86	\$ -	\$ -	\$ 399.72	\$ 199.85
	Pressure vacuum handpump w/gauge		2010	5	\$ 691.24		\$ -	\$ 691.24	\$ 138.25	\$ 138.25	\$ -	\$ -	\$ 276.50	\$ 414.74
	Eppendorf Repeater plus pipettor and tips		2010	5	\$ 752.20		\$ -	\$ 752.20	\$ 150.44	\$ 150.44	\$ -	\$ -	\$ 300.88	\$ 451.32
	Tile drain control structure	Sm. Watershed	2011	5		\$ 925.75		\$ 925.75		\$ 185.15	\$ -	\$ -	\$ 185.15	\$ 740.60
	Isco sampler interface & cable	Sm. Watershed	2011	3		\$ 605.00		\$ 605.00		\$ 201.67	\$ -	\$ -	\$ 201.67	\$ 403.33
	Data logger w/keyboard & display	Sm. Watershed	2011	3		\$ 1,853.32	\$ 1,853.32	\$ 1,853.32		\$ 617.77	\$ -	\$ -	\$ 617.77	\$ 1,235.55
	Camcorder, tripod, mic, memory & case	Sm. Watershed	2011	5		\$ 742.84	\$ 742.84	\$ 742.84		\$ 148.57	\$ -	\$ -	\$ 148.57	\$ 594.27
					\$ 335,795.68	\$ -	\$ 27,373.91	\$ 35,693.00	\$ 327,476.59	\$ 228,226.51	\$ 22,624.45	\$ 35,693.00	\$ 215,157.96	\$ 112,318.63

		1/1/2011	12/31/2011	FY2010 Ending Fixed Asset Balance	\$ 335,795.68
Capital Assets	\$	335,795.68	\$ 327,476.59	FY2011 Additions	\$ 27,373.91
Accumulated Depreciation	\$	228,226.51	\$ 215,157.96	FY2011 Deletions	\$ 35,693.00
Net book value	\$	107,569.17	\$ 112,318.63		\$ 327,476.59

Depreciation Expense \$ 22,624.45

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Fillmore Soil and Water Conservation District (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 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 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 vacation and sick leave 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. Vacation and Sick Leave

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 pay period. Upon termination from the District by retirement, employees are paid accrued PTO and up to 50% of accrued sick leave. Upon termination of employment, employees are paid accrued PTO and up to 50% of hours of accrued sick leave, up to a maximum of 500 hours as of December 31, 2011.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

At December 31, 2011, the District's General Fund had a deficit fund balance of \$ N/A. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2011, actual expenditures, \$ N/A, exceeded budgeted expenditures, \$ N/A, by \$ N/A.

C. Uncollateralized deposits

During 2011, the District's deposits with financial institutions 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, 2011, the District's deposits totaled \$ 657,724.89, of which \$88,474.43 were cash deposits and \$569,250.46 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2011, 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, 2011	\$107,569.17
Additions	\$ 27,373.91
Deletions	\$ 0.00
2011 depreciation	\$ 22,624.45
 Balance December 31, 2011	 \$ 112,318.63

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$215,157.96 as of December 31, 2011.

The District uses a threshold of \$500.00 for capitalizing assets purchased. Those physical assets under \$500.00 are expensed 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 \$388,413.10.

The Deferred Revenue Breakdown includes \$56,159.00 which is being withheld by BWSR until such time as the projects have been completed and all reporting requirements have been met.

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 Polity 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 meet operating expenses during the fiscal period without having to resort to 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 balance 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 Balance as of December 31, 2011: \$315,428.00

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 liability as of December 31st. This amount also includes \$10,000.00 of self-insured unemployment insurance funds.

Changes in long-term debt for the period ended December 31, 2011 are:

Balance January 1, 2011	\$ 62,086.89
Net Changes in Compensated Absences\$	(786.54)
Balance December 31, 2011	\$ 61,300.35

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 2011. 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, 2011, 2010, and 2009 were \$29,337.22, \$25,926.38, and \$24,869.67 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 2011 were \$18,378.72.