

2009
Financial Report
of the
Lac qui Parle
Soil & Water
Conservation District



PERIOD COVERED
January 1, 2009 to December 31, 2009

122 8th Avenue South, Suite 1
Madison, MN 56256

2009 Financial Report of the Lac qui Parle Soil and Water Conservation District
Period Covered: January 1, 2009 to December 31, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lac qui Parle Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended 2009. 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 District'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 provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCDs finances. 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 SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The Lac qui Parle SWCD has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

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 the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the 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 fund financial statements provide detailed information about the general fund—not the SWCD as a whole. 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 LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT AS A WHOLE

The SWCD's combined net assets were higher, increasing from \$ 83,553 to \$ 110,209. In contrast, last year net assets decreased by \$ 14,472. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. 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 Activities	
	<u>2009</u>	<u>2008</u>
Current and Other Assets	210,353	243,981
Capital Assets	24,771	22,812
Total Assets	235,124	266,793
Long-term Debt Outstanding	6,456	5,718
Other Liabilities	118,460	177,522
Total Liabilities	124,916	183,240
Net Assets		
Invested in Capital, net		
Of Debt	16,650	22,812
Restricted		
Unrestricted	93,559	60,741
Total Net Assets	110,209	83,553

Net assets of the SWCD governmental activities increased \$26,656 or by 31.9 percent (\$83,553 compared to \$110,209). 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 \$60,741 surplus at December 31, 2008 to a \$ 93,559 surplus at the end of this year.

TABLE 2
Changes in Net Assets

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Revenues		
Program Revenues:		
Charges for Service	70,093	49,430
Federal Grants		
State Grants and Entitlements	96,153	77,202
County Grants and Entitlements	125,844	122,359
Other General Revenues	7,645	10,270
TOTAL Revenues	299,735	259,261
Expenses		
Program Expenses:		
General Government		
Conservation	266,180	297,132
TOTAL Expenses	266,180	297,132
Increase (decrease) in net assets	33,555	(38,871)

The SWCD’s total revenues increased by a little more than 15 percent (\$40,474). The total cost of all programs and services decreased by \$30,952, or just over 10 percent. Our analysis below separately considers the operations of governmental activities.

Revenues:

The District saw an increase in Charges for Services, due in part to tree and fabric sales. There was a windstorm that came through Lac qui Parle County on July 31, 2008, which resulted in the demise of established groves and windbreaks. Producers turned to the Lac qui Parle SWCD for guidance and assistance to re-establish trees and install new groves and windbreaks. It is anticipated that in 2010 the need will be about the same. The Charges for Services Revenue also reflects revenue for administrative services for various programs. Time spent on the administration of the numerous programs changes from year to year, depending on staff time and reporting requirements.

Expenditures:

The District saw a decrease in General Government Conservation Expenses. Personal Services, including Supervisor Compensation and Employee wages were less in 2009 than in 2008 (due to a retirement), and majority of the other expenses. There were no new Capital Outlay purchases in 2009 as there were in 2008, when the District purchased a used pick-up.

Governmental Activities

Revenues for the District Governmental Activities increased a little more than 15 percent (\$40,474), while total expenses decreased just under 10 percent (\$30,952).

Table 3
Governmental Activities

	Total Cost of Services	
	2009	2008
Conservation	\$ 266.18	\$297.13
Totals	<u>\$ 266.18</u>	<u>\$ 297.13</u>

THE SWCD's FUNDS

As the District completed the year, its general fund reported a combined fund balance of \$110,209, which is above last year's total of \$ 83,553. Included in this year's total change in fund balance however, is an increase of \$ 33,555 in the District's General Fund.

General Fund Budgetary Highlights

Over the course of the year, District did a limited revision to the budget. The original budget did not include the County Water Plan Revenues or Expenditures. The revised budget included those figures, and still remained a balanced budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had \$ 16,651 invested in capital assets, including a lot and cooling unit in the tree storage building, vehicles, fabric mulch machine, no-till drill, and computer (See Table 4 below). This amount represents a net decrease (including additions and deductions) of \$6,161.

Table 4
Capital Assets at Year-end
(Net of Depreciation, in Thousands)

	Governmental Activities	
	2009	2008
Land	\$ 1.00	\$ 1.00
Buildings and improvements	.66	.66
Equipment	<u>14.99</u>	<u>21.15</u>
	\$16.65	\$22.81

One of the two District computers malfunctioned, and was discarded. The replacement computer was a refurbished one issued to the District at no charge. The District anticipates the need to replace the “replacement computer” in 2010.

The SWCD’s fiscal-year 2010 capital budget calls for it to spend another \$5,000 for capital projects, principally for the purchase of a new or gently used printer/copier and a computer. The District would also like to replace the District van in 2010, but due to financial constraints that upgrade may not be feasible and it was not included as a budget item for 2010.

Long-Term Liabilities

Other obligations include accrued vacation pay and sick leave. More detailed information about the District’s long-term liabilities is presented in Note VI. COMPENSATED ABSENCES PAYABLE to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The SWCD’s elected and appointed officials considered many factors when setting the fiscal-year 2010 budget and fees that will be charged for the business-type activities. Due to the difficult financial times and stress, the State of Minnesota, under Governor Pawlenty, declared an “unallotment” of County Payments in 2009. The Lac qui Parle County Commissioners graciously did not reduce the funding that they had originally promised to the District for 2009, even though their revenue from the State was substantially depressed. In 2010 it is highly anticipated that funding from the State to Lac qui Parle County will again be reduced. The County Commissioners of Lac qui Parle County agreed to fund the District the same in 2010, as they did in 2009. For that, the District is grateful. The District anticipates no major personnel changes. The District currently has three full-time employees, and one retired employee (less than 60 hours annually). The District anticipates the need for a Summer Assistant, to help with the Tree Program planting workload. Due to a wind storm in July of 2008, that destroyed many farmstead windbreaks, a large number of tree plantings will be installed in 2010.

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 the Lac qui Parle Soil and Water Conservation District at 122 8th Avenue South, Madison, Minnesota, or call 320-598-7321 x3.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$207,965		\$207,965
Accounts receivable	223		223
Due from other governments	2,166		2,166
Prepaid inventory items	8,120		8,120
Capital Assets:			0
Equipment (net of accumulated depreciation)		16,651	16,651
Total Assets	\$218,473	\$16,651	\$235,124
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$0		\$0
Salaries payable			0
Deferred revenue (from State and Pre-pays)	118,460		118,460
Long-term liabilities:			0
Due within one year			0
Due after one year		6,456	6,456
Total Liabilities	\$118,460	\$6,456	\$124,916
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$8,120	(\$8,120)	\$0
Unreserved			
Designated for future projects	(8,120)	8,120	0
Undesignated	100,014	(100,014)	0
Total Fund Balance	\$100,014	(\$100,014)	\$0
Net Assets			
Invested in capital assets		\$16,651	\$16,651
Unrestricted		93,558	93,558
Total Net Assets		\$110,209	\$110,209

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$221,997	\$0	\$221,997
Charges for services	70,093	0	70,093
Investment earnings	4,239	0	4,239
Miscellaneous	3,406	0	3,406
Total Revenues	\$299,735	\$0	\$299,735
Expenditures/Expenses			
Conservation			
Current	\$266,180	\$6,899	\$273,079
Capital outlay	0	0	0
Total Expenditures/Expenses	\$266,180	\$6,899	\$273,079
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$33,555	(\$6,899)	\$26,656
Fund Balance/Net Assets January 1	66,459	17,094	83,553
Fund Balance/Net Assets December 31	\$100,014	\$10,195	\$110,209

Notes are an integral part of the basic financial statements

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT
MADISON, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$104,087	\$126,634	\$125,844	(\$790)
Local	0	0	0	0
Federal	2,000	2,000	0	(2,000)
State grant	89,107	89,107	96,153	7,046
Total intergovernmental	<u>\$195,194</u>	<u>\$217,741</u>	<u>\$221,997</u>	<u>\$4,256</u>
Charges for services	<u>\$56,410</u>	<u>\$56,410</u>	<u>\$70,093</u>	<u>\$13,683</u>
Miscellaneous				
Interest earnings	\$4,500	\$4,500	\$4,239	(\$261)
Other	12,589	12,589	3,406	(9,183)
Total miscellaneous	<u>\$17,089</u>	<u>\$17,089</u>	<u>\$7,645</u>	<u>(\$9,444)</u>
Total Revenues	<u>\$268,693</u>	<u>\$291,240</u>	<u>\$299,735</u>	<u>\$8,495</u>
Expenditures				
District operations				
Personnel services	\$150,871	\$150,871	\$151,191	(\$320)
Other services and charges	46,200	46,200	39,111	7,089
Supplies	750	750	866	(116)
Capital outlay	5,000	5,000	0	5,000
Total district operations	<u>\$202,821</u>	<u>\$202,821</u>	<u>\$191,168</u>	<u>\$11,653</u>
Project expenditures				
District	\$30,200	\$30,200	\$24,795	\$5,405
State	35,672	58,219	50,217	8,002
Total project expenditures	<u>\$65,872</u>	<u>\$88,419</u>	<u>\$75,012</u>	<u>\$13,407</u>
Total Expenditures	<u>\$268,693</u>	<u>\$291,240</u>	<u>\$266,180</u>	<u>\$25,060</u>
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$33,555	\$33,555
Fund Balance - January 1	<u>\$66,459</u>	<u>\$66,459</u>	<u>\$66,459</u>	<u>\$33,555</u>
Fund Balance - December 31	<u>\$66,459</u>	<u>\$66,459</u>	<u>\$100,014</u>	<u>\$67,110</u>

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2009**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 99,087.00
WATER PLAN MONEY	\$ 26,667.95
WETLAND MONEY	\$ 89.10
FEEDLOT MONEY	\$ _____
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (carry-over and adjustments)	\$ _____
 TOTAL	 \$ <u>125,844.05</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.

It should be noted that the Lac qui Parle SWCD received the budget sums as follows:

Annual Allocation of \$ 99,087.00, was received and spent in 2009

Water Plan Money of \$ 22,547.00 (includes \$2,201 Levy money). The figure above reflects money received in 2009, carry-over into 2009, and spent in 2009, resulting in a balance defined as received.

Wetland Money of \$ 5,000.00, of which only \$89.10 was spent by 12/31/2009.

Revenues are to be recognized when the related expenditures are recorded. This may result in the appearance of slightly less revenue than actually received, or more revenue than is actually received. This is due in part to overlapping fund years and expenses that may be disbursed in more than one calendar year.

**DEFERRED REVENUE BREAKDOWN
2009**

Balance of BWSR Service Grants:		\$ -0-		
Balance of <u>unencumbered</u> BWSR Cost-Share Grants:		Current fiscal year \$ 19,669.00		
		2009 \$ 20,597.25		
		2008 \$ 613.50		
Balance of <u>encumbered</u> BWSR Cost-Share Grant (list each contract separately):				
<u>FY</u>	<u>Contract No</u>	<u>Contract Amount</u>	<u>T&A Encumbered</u>	<u>TOTAL CS</u>
2007	CS 2 (06-07)	11,070.00	2,767.50	13,837.50
2007	CS 2 (06-07) T&A Not used		(352.75)	(352.75)
2007	CS 4 (06-07)	2,150.00	537.50	2,687.50
2008	CS 5 (07-08)	1,219.00	304.75	1,523.75
2008	CS 9 (07-08)	4,380.00	1,095.00	5,475.00
2008	CS 10 (07-08)	8,550.00	2,137.50	10,687.50
2008	CS 7 (07-08)	3,397.00	849.25	4,246.25
2008	CS 11 (07-08)	2,144.00	536.00	2,680.00
2009	CS 8 (08-09)	2,842.00	710.50	3,552.50
2009	CS 9 (08-09)	1,630.00	407.50	2,037.50
2009	Cs 10 (08-09)	653.00	163.25	816.25
Total of all Cost-Share Encumbrances				\$ 47,191.00
Balance of County WCA Funds:				\$ 4,910.90
Balance of <u>other</u> funds being deferred (list if any):				
Native Buffer				\$ 25,000.00
Subtotal of other funds:				\$ 25,000.00
TOTAL OF ALL DEFERRED REVENUE:				<u>\$ 117,981.65</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Lac qui Parle 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 Lac qui Parle 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 Lac qui Parle 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 Lac qui Parle 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.

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.

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

Unreserved, designated account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unreserved, undesignated 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 vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 17 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave carry-over is 240 hours and there is no limit to the accumulation of sick leave hours. When an employee accumulates over 800 hours of sick leave, at the end of each year they may be compensated at current salary for one-fourth of those hours over 800. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to one-fourth of the hours of accrued sick leave. On termination of employment by illness or death, employees/beneficiaries are paid accrued vacation and up to one-fourth the hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

N/A

B. Excess of Expenditures Over Budget

N/A

C. Uncollateralized deposits

During 2009, 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, 2009, the District's deposits totaled \$207,964.59 of which \$152,964.59 were cash deposits and \$55,000.00 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2009, 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, 2009	\$	22,812
Additions	\$	-0-
Deletions	\$	-0-
2009 depreciation	\$	6,161
Balance December 31, 2009	\$	16,651

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$72,438 as of December 31, 2009. Deleted item of \$ 1,632 was fully depreciated, and therefore had no effect on the ending balance.

The District uses a threshold of \$ 1,000 for capitalizing assets purchased. Those physical assets under \$ 999.99 are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and Lac qui Parle County for various programs. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2009, consists of the following: BWSR Cost-Share Programs: \$ 88,070.75; Wetland Conservation Act (WCA): \$4,910.90; Native Buffer: \$ 25,000.00. The total of Deferred Revenue is \$ 117,981.65.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$ 117,981.65.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2009 are:

Balance January 1, 2009	\$	5,717.55
Net Changes in Compensated Absences	\$	738.05
Balance December 31, 2009	\$	6,455.60

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 Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

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

There were no significant 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 Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2009,

2008, and 2007 were \$ 6,933.72, \$ 6,496.06, \$ 6,454.95 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 2009 were \$ 17,468. On September 30, 2009 the lease agreement was changed, resulting in the District making direct payments to the Lessor. For that reason, in 2009 there were three additional months of rent added paid by the District. The total for the year was therefore increased by \$ 1,390.81 for October 2009, November 2009, and December 2009, bringing the total lease cost to \$ 21,640.43.