

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 2013. 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 Position 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 Position 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 position and changes in them. You can think of the SWCD’s net position--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 position 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 Position 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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE FILLMORE SWCD AS A WHOLE

The SWCD's combined net position increased in 2013 from \$409,865 to \$438,600. Last year, net position increased by \$45,815. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the SWCD's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 840,799	\$ 780,664
Capital assets	\$ 142,990	\$ 145,458
Total assets	\$ 983,789	\$ 926,122
Long-term liabilities	\$ 62,348	\$ 60,481
Other liabilities	\$ 482,841	\$ 455,776
Total liabilities	\$ 545,189	\$ 516,257
Net position		
Invested in capital assets, net of debt	\$ 142,990	\$ 145,458
Restricted	\$ 43,075	\$ 37,443
Unrestricted	\$ 252,535	\$ 226,964
Total net position	\$ 438,600	\$ 409,865

Net position of the SWCD governmental activities increased by 7 percent (\$438,600 compared to \$409,865). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$226,964 on December 31, 2012 to \$252,535 at the end of this year.

This surplus in unrestricted governmental net position arose primarily because of the following factors. The increase in unrestricted net position of \$25,571 resulted from additional grants received (which offset a decrease in cost share grant revenues) and a decrease in expenditures in cost share projects, which were delayed due to unusually wet conditions and shortened construction seasons in the spring and fall of 2013. Total assets increased by \$57,667 in 2013. Total liabilities increased by \$28,932 (mainly as a result of an increase in deferred revenues from Feedlot Water Quality Management grants). BWSR's policy is to withhold 40% of grant funds until half of the funds are spent and 10% of funds until all grant requirements have been met, so balances are being recorded as deferred revenues and accounts receivable. Long term liabilities increased due to an increase in compensated absences of \$1867 despite the SWCD policy that caps PTO accrual at 400 hours per employee.

Table 2
Changes in Net Position

	<u>Governmental</u> <u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for service	\$ 66,827	\$ 64,826
Local grants	\$	\$ 126,274
State grants and entitlements	\$ 623,511	\$ 629,426
County Grants	\$ 276,892	\$ 262,729
Miscellaneous revenues		
Investment earnings	\$ 5,042	\$ 8,625
Other misc.	\$ 10,763	\$ 9,734
Federal entitlements	\$ 72,587	\$
Other general revenues		
Total revenues	\$ 1,055,622	\$1,101,614
Program expenses		
General government		
Conservation		
Current	\$ 995,507	\$ 990,325
Capital Outlay	\$ 27,046	\$ 65,474
Total expenses	\$ 1,022,552	\$1,055,799
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net position	\$ 33,070	\$ 45,815

The SWCD's total revenues (excluding special items) decreased by 4.2 percent (\$45,993) from 2012 to 2013. This decrease was largely due to the reduction in local, county and state grants and a decrease in interest earnings, which were down \$3,583 from 2012 to 2013. Some of the decrease was offset by increases in federal grants (MRBI technical assistance), charges for services, county grants (transfer of the Local Water Management Grant from the county to the SWCD), and funding from The Nature Conservancy and the National Wildlife Federation. The total cost of all programs and services decreased by \$33,247 in 2013 compared to 2012. The number of cost share projects,

both feedlot and regular state cost share, was down due to extremely wet conditions and shortened construction seasons in the spring and fall.

Governmental Activities

Revenues for the SWCD governmental activities decreased by 4.2 percent (\$45,993) while total expenses decreased 3 percent (\$33,247). The net position for governmental activities increased in 2013 by \$33,070. This compares to an increase of \$45,815 in net position in 2012.

The SWCD did not request an increase in its county allocation in 2013, so it remained at \$210,000, which was the same amount received since 2008 and what is also approved for 2014. 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 mentioned above. Contracts with MN Department of Ag, MN Pollution Control Agency, MN DNR, and MN Association of Soil and Water Conservation Districts continued or were new for 2013. Two FY14 Clean Water Fund grants were awarded for staff positions, one of which will be funded through 2016 and the other through 2017. The SWCD Board is investigating ways to reduce health insurance cost increases over the next several years while maintaining adequate coverage for employees.

The cost of all governmental activities this year was \$1,022,552 compared to \$1,055,799 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, decreased from \$1,101,614 in 2012 to \$1,055,622 in 2013 principally based on reductions in local and 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 (\$5,042), other miscellaneous revenues (\$10,763) and a Contribution Agreement with NRCS for \$72,587.

THE FILLMORE SWCD's FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 8) reported a combined fund balance of \$357,958, which is above last year's total of \$324,888. Included in this year's total change in fund balance is an increase of \$33,070 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 revise the SWCD's 2013 budget. The revisions were made in June to reflect actual revenues/expenditures for grants that had ended, changes in workload related to feedlot projects, new grant funds received, reduction in interest earnings, and reductions in personnel costs due to the resignation of one staff person and the Board's decision to transfer those staff duties to existing staff instead of rehiring.

The actual changes to appropriations were \$176,125 under the final budget amounts. State grant revenues were under budget by \$238,954 while local, county and federal revenues exceeded

budgeted amounts by \$50,377. Interest earnings were under budget by \$958 and miscellaneous revenues were more than budgeted by \$9,763. The variance in expenditures was \$209,195 under the final budget, so the final result was an excess of revenues over expenditures of \$33,070. The most significant variance from the budget in expenditures occurred in the SWCD's expenditures for state cost share practices which also accounted for the large decrease in revenues. The Board did approve a 1.5% cost of living increase for staff in 2013 to align with the County's pay scale. 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 for maintaining stable funding in order to keep experienced employees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the SWCD had \$142,990 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 decrease of \$2,468, or 1.7 percent, from last year.

Table 4
Capital Assets at Year-end

	Governmental Activities	
	2013	2012
Conservation Building	\$ 59,392	\$ 62,518
Equipment	\$ 83,598	\$ 82,940
	<u>\$142,990</u>	<u>\$145,458</u>

This year's major additions included:

Topper for 2013 Chevrolet Pickup	\$ 2,661
2013 Chevrolet Impala	\$ 18,311
Equipment for WPLMN	\$ 6,074
	<u>\$ 27,046</u>

The SWCD's fiscal-year 2014 capital budget calls for spending \$14,362 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 19) 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 2014 budget and fees that will be charged for the business-type activities. The FY14 and 15 state cost share grant has been decreased to \$24,289 per year from \$31,576 for FY12 and FY13. It was reduced 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 had been bolstered by high commodity prices for corn and soybeans in the previous two years, but 2013 presented a huge challenge due to extremely cold and wet conditions which not only delayed spring planting but prevented planting on several thousand acres in Fillmore County. This did afford an opportunity to highlight the use of cover crops and their benefits utilizing the cover crop expertise of the Grazing Specialist to promote their use for soil health. Livestock producers continue to struggle with lack of stability in prices, plus the unusual weather conditions damaged hay crops, translating into feed shortages and continued high feed costs. Commodity prices were on a downward trend at the end of 2013. Good crop prices create an incentive to plant more acres rather than put acres into conservation practices, but lower prices reduce the profit margins leaving less disposable income for conservation. Higher EQIP payment rates have reduced demand for state cost share funds. Considering these factors, it is difficult to predict any major changes in landowner demand for conservation. One-to-one contact with producers is the best way to generate interest in conservation. One staff person continues to update HEL conservation plans which is an effective way to identify conservation needs.

Livestock producers approved for EQIP and Clean Water Funds 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 partially completed in 2013 (funded by Clean Water Funds) along with four smaller projects utilizing 319 funds. One FY14 CWF feedlot project was funded for \$170,083 from the list of submitted for FY13 funding. However, none were approved from the five submitted in the FY14 Clean Water Fund application. Two feedlot projects cancelled in 2013. Funding from one of the cancelled projects is being reallocated to other projects. The Grazing Specialist position is transitioning to an Area Soil Health Technician position with a FY14 Shared Services grant through the SE MN Technical JPB. He will be working in 11 counties providing technical assistance for managed grazing, cover crops and other soil health practices working closely with NRCS which is providing a vehicle and computer for his use. The Nutrient Management Specialist serves five counties and has 170 contacts and more than 120 plans completed on almost 70,000 acres. Fees for new plans and plan updates are being charged on a per acre basis versus the previous flat rate to provide a match for the Clean Water Fund grant. Discussions have begun with MN Department of Ag (MDA) about how the two nutrient management positions in the 11 counties can be used to help implement the MN Nitrogen Fertilizer Management Plan as a way to continue their funding.

Two staff people are partially funded through the Root River Comprehensive Strategy grant from MPCA, which began in March 2011 and will extend to June 2014. Portions of two staff positions are funded through a grant from MDA for a study of BMP effectiveness in three small watersheds in the Root River watershed, which is funded to June 30, 2015. The NRCS is providing MRBI funds

until August 2014 for staff to update conservation plans and generate conservation needs. The SWCD received a FY14 Soil Erosion and Drainage Law Compliance grant to continue this work through 2016. A BWSR Farm Bill Assistance Grant also funds part of the Conservation Technician position. All of these additional funds should allow the SWCD to maintain staffing and cover some administrative costs.

A FY13 Community Partners grant will provide mini-grants for projects to manage and treat urban storm water. One project proposal has been funded, and one proposal is being developed. Applications will be ranked twice in 2014 for funding.

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. Health insurance rates are expected to increase, and the Board is investigating ways to reduce the rise in health insurance costs over the next few years. 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 POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and investments	\$591,185		\$591,185
Accounts receivable	249,395		249,395
Interest Receivable	219		219
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		142,990	142,990
Total Assets	\$840,799	\$142,990	\$983,789
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	(\$38)		(\$38)
Earnest money	\$2,000		\$2,000
Salaries payable	13,775		13,775
Trees prepaid deposits	1,774		\$1,774
Payroll tax payable	928		\$928
Sales tax payable	186		\$186
Unearned revenue	464,216		464,216
Long-term liabilities:			0
Due within one year		0	0
Due after one year		62,348	62,348
Total Liabilities	\$482,841	\$62,348	\$545,189
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Position			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	288,043	(288,043)	0
Unassigned	69,915	(69,915)	0
Total Fund Balance	\$357,958	(\$357,958)	\$0
Net Assets			
Invested in capital assets		\$142,990	\$142,990
Unrestricted:			
Assigned:		\$43,075	43,075
Unassigned		252,535	252,535
Total Net Position		\$438,600	\$438,600

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, 2013

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$972,991	\$0	\$972,991
Charges for services	66,827	0	66,827
Investment earnings	5,042	0	5,042
Miscellaneous	10,763	0	10,763
Total Revenues	<u>\$1,055,622</u>	<u>\$0</u>	<u>\$1,055,622</u>
Expenditures/Expenses			
Conservation			
Current	\$995,507	\$31,381	\$1,026,888
Capital outlay	27,046	(27,046)	0
Total Expenditures/Expenses	<u>\$1,022,552</u>	<u>\$4,335</u>	<u>\$1,026,888</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$33,070	(\$4,335)	\$28,735
Fund Balance/Net Position January 1	<u>324,888</u>	<u>84,977</u>	<u>409,865</u>
Fund Balance/Net Position December 31	<u><u>\$357,958</u></u>	<u><u>\$80,642</u></u>	<u><u>\$438,600</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, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$255,342	\$268,418	\$276,892	\$8,474
Local	52,400	28,222	42,538	14,316
Federal	100,000	45,000	72,587	27,587
State grant	921,456	819,927	580,973	(238,954)
Total intergovernmental	\$1,329,198	\$1,161,567	\$972,991	(\$188,576)
Charges for services	\$63,180	\$63,180	\$66,827	\$3,647
Miscellaneous				
Interest earnings	\$9,000	\$6,000	\$5,042	(\$958)
Other	4,000	1,000	10,763	9,763
Total miscellaneous	\$13,000	\$7,000	\$15,805	\$8,805
Total Revenues	\$1,405,378	\$1,231,747	\$1,055,622	(\$176,125)
Expenditures				
District operations				
Personnel services	\$637,419	\$599,136	\$628,800	(\$29,664)
Other services and charges	78,300	86,300	72,378	13,922
Supplies	3,500	3,500	6,303	(2,803)
Capital outlay	27,344	27,344	27,046	298
Total district operations	\$746,563	\$716,280	\$734,526	(\$18,246)
Project expenditures				
District	\$88,600	\$38,600	\$44,547	(\$5,947)
State	570,215	476,867	243,479	233,388
Total project expenditures	\$658,815	\$515,467	\$288,026	\$227,441
Total Expenditures	\$1,405,378	\$1,231,747	\$1,022,552	\$209,195
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	\$33,070	\$33,070
Fund Balance - January 1	\$324,888	\$324,888	\$324,888	\$0
Fund Balance - December 31	\$324,888	\$324,888	\$357,958	\$33,070

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2013**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 27,749.08
WETLAND MONEY	\$ 13,308.00
FEEDLOT MONEY	\$ 25,834.93
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u><u>\$276,892.01</u></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
2013**

Balance of BWSR Service Grants: \$20,133.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$24,289.00

Previous fiscal year \$270,235.14

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY11	FY11-20	\$65.00	\$16.25
	FWQMG	\$51,000.00	\$4,724.48
	FY11-3		
FY12	FY11-20	\$1,195.00	\$298.75
	FY12-20	\$4,923.00	\$1,230.75
	FY12-18	\$1,000.00	\$250.00
	FY12-19	\$1,204.00	\$301.00
	FY12-20	\$960.00	\$240.00
	FY12-21	\$515.12	\$128.78
	FWQMG	\$29,216.00	\$686.00
	FY12-2		
FY13	FY12-21	\$1,924.88	\$481.22
	FY13-02	\$5,000.00	\$1,250.00
	FY13-04	\$1,560.00	\$390.00
	FY13-05	\$1,500.00	\$375.00
	FY13-06	\$1,744.00	\$436.00
	FY13-07	\$3,786.00	\$946.50
	FY13-08	\$1,000.00	\$250.00
	FY13-10	\$705.00	\$176.25
	FY13-11	\$638.00	\$159.50
	FY13-12	\$363.50	\$90.88

Total of all Cost-Share Encumbrances \$120,730.86

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds:		\$9,206.76
Balance of <u>other</u> funds being deferred (list if any):		
<u>BWSR FY11 Competitive Grazing Grant</u>	\$ 11,334.76	
BWSR CWF SE JPB Nutrient Management Grant	\$(24,415.59)	
<u>BWSR FY13 Community Partners</u>	\$ 22,620.00	
LWP Challenge Grant	\$ 7,936.90	
<u>BWSR Easement Implementation Grant</u>	\$ 2,145.00	
Subtotal of other funds:		\$28,827.83
TOTAL OF ALL DEFERRED REVENUE:		<u>\$464,215.83</u>

Capital Assets

Year End 12/31/2013

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2013 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation	Asset Balance
Buildings	District Building		1997	35	\$ 109,407.00		\$ -	\$ 109,407.00	\$ 46,888.70	\$ 3,125.91	\$ -	\$ -	\$ 50,014.61	\$ 59,392.39
	District Building Updates		2009	10	\$ 2,405.22			\$ 2,405.22	\$ 962.08	\$ 240.52	\$ -	\$ -	\$ 1,202.60	\$ 1,202.62
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	\$ -	\$ -	\$ -	\$ 6,481.75	\$ -	\$ -	\$ -
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75			\$ 15,751.75	\$ 13,501.51	\$ 2,250.24	\$ -	\$ -	\$ 15,751.75	\$ -
	2013 Chevy Silverado PU		2012	7	\$ 20,835.88			\$ 20,835.88	\$ 744.15	\$ 2,976.55	\$ -	\$ -	\$ 3,720.70	\$ 17,115.18
	2013 Chevy Impala		2013	7		\$ 18,311.18	\$ 18,311.18	\$ -	\$ -	\$ 2,615.88	\$ -	\$ -	\$ 2,615.88	\$ 15,695.30
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	\$ 933.35	\$ 66.65	\$ -	\$ -	\$ 1,000.00	\$ -
	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	\$ 5,448.52	\$ 454.04	\$ -	\$ -	\$ 5,902.56	\$ 908.11
	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	\$ -
	Desk Unit		2002	10	\$ 1,595.00		\$ -	\$ 1,595.00	\$ 1,595.00	\$ -	\$ -	\$ -	\$ 1,595.00	\$ -
	Canon N676U Scanner		2002	5	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00		\$ -	\$ 11,966.00	\$ 7,977.31	\$ 797.73	\$ -	\$ -	\$ 8,775.04	\$ 3,190.96
	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	\$ 955.31	\$ -	\$ -	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31		\$ -	\$ 955.31	\$ 955.31	\$ -	\$ -	\$ -	\$ 955.31	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.30		\$ -	\$ 955.30	\$ 955.30	\$ -	\$ -	\$ -	\$ 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	\$ 1,059.66	\$ -	\$ -	\$ -	\$ 1,059.66	\$ -
	HP switch and Firewall Router		2008	5	\$ 534.33		\$ -	\$ 534.33	\$ 534.33	\$ -	\$ -	\$ -	\$ 534.33	\$ -
	HP CP2025 DN Printer & Tray		2008	5	\$ 930.81		\$ -	\$ 930.81	\$ 930.81	\$ -	\$ -	\$ -	\$ 930.81	\$ -
	Desk Unit		2008	10	\$ 1,789.47		\$ -	\$ 1,789.47	\$ 894.75	\$ 178.95	\$ -	\$ -	\$ 1,073.70	\$ 715.77
	Turbidity Sensors & Cables	TMDL	2008	5	\$ 22,792.31		\$ -	\$ 22,792.31	\$ 22,792.31	\$ -	\$ -	\$ -	\$ 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	\$ 1,747.76	\$ -	\$ -	\$ -	\$ 1,747.76	\$ -
	HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01		\$ -	\$ 845.01	\$ 845.01	\$ -	\$ -	\$ -	\$ 845.01	\$ -
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69		\$ -	\$ 1,010.69	\$ 1,010.69	\$ -	\$ -	\$ -	\$ 1,010.69	\$ -
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ 942.53		\$ -	\$ 942.53	\$ 754.04	\$ 188.49	\$ -	\$ -	\$ 942.53	\$ -
	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	\$ 895.17	\$ 298.39	\$ -	\$ -	\$ 1,193.56	\$ 298.41
	Windows 7 Upgrade		2010	3	\$ 599.57		\$ -	\$ 599.57	\$ 599.57	\$ -	\$ -	\$ -	\$ 599.57	\$ -

Capital Assets

Year End 12/31/2013

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending	Beginning	2013	<\$500	Ending	Asset
									Balance	Accumulated Depreciation	Depreciation	Deletion	Accumulated Depreciation	Balance
	Pressure vacuum handpump w/gauge		2010	5	\$ 691.24			\$ 691.24	\$ 414.75	\$ 138.25	\$ -	\$ -	\$ 553.00	\$ 138.24
	Eppendorf Repeater plus pipettor and tips		2010	5	\$ 752.20			\$ 752.20	\$ 451.32	\$ 150.44	\$ -	\$ -	\$ 601.76	\$ 150.44
	Tile drain control structure	Sm. Watershed	2011	5	\$ 925.75			\$ 925.75	\$ 370.30	\$ 185.15	\$ -	\$ -	\$ 555.45	\$ 370.30
	Isco sampler interface & cable	Sm. Watershed	2011	3	\$ 605.00			\$ 605.00	\$ 403.34	\$ 201.66	\$ -	\$ -	\$ 605.00	\$ -
	Data logger w/keyboard & display	Sm. Watershed	2011	3	\$ 1,853.32			\$ 1,853.32	\$ 1,235.54	\$ 617.78	\$ -	\$ -	\$ 1,853.32	\$ -
	Camcorder, tripod, mic, memory & case	Sm. Watershed	2011	5	\$ 742.84			\$ 742.84	\$ 297.14	\$ 297.14	\$ -	\$ -	\$ 594.28	\$ 148.56
	Nitrate Monitoring Sensors, Install Kits	Comp Strategy	2012	5	\$ 58,470.28			\$ 58,470.28	\$ 11,694.06	\$ 11,694.06	\$ -	\$ -	\$ 23,388.12	\$ 35,082.16
	Controller & warranty	Comp Strategy	2012	5	\$ 2,185.59			\$ 2,185.59	\$ 437.12	\$ 874.24	\$ -	\$ -	\$ 1,311.36	\$ 874.23
	Solar Panels	Comp Strategy	2012	5	\$ 600.72			\$ 600.72	\$ 120.14	\$ 240.28	\$ -	\$ -	\$ 360.42	\$ 240.30
	Pressure Transducer	Sm. Watershed	2012	5	\$ 816.85			\$ 816.85	\$ 163.37	\$ 326.74	\$ -	\$ -	\$ 490.11	\$ 326.74
	Topper for 2013 Chev. Pickup		2013	7		\$ 2,660.76	\$ 2,660.76	\$ -	\$ -	\$ 380.11	\$ -	\$ -	\$ 380.11	\$ 2,280.65
	MS5 Sonde Probe & Sensors	WPLMN	2013	5		\$ 4,487.70	\$ 4,487.70	\$ -	\$ -	\$ 897.54	\$ -	\$ -	\$ 897.54	\$ 3,590.16
	Data logger & cable	WPLMN	2013	5		\$ 1,586.03	\$ 1,586.03	\$ -	\$ -	\$ 317.21	\$ -	\$ -	\$ 317.21	\$ 1,268.82
					\$ 381,789.91	\$ -	\$ 27,045.67	\$ 6,481.75	\$ 402,353.83	\$ 236,332.30	\$ 29,513.98	\$ 6,481.75	\$ 259,364.52	\$ 142,989.33

		1/1/2013	12/31/2013	FY2012 Ending Fixed Asset Balance	\$ 381,789.91
Capital Assets	\$	381,789.91	\$ 402,353.83	FY2013 Additions	\$ 27,045.67
Accumulated Depreciation	\$	236,332.30	\$ 259,364.52	FY2013 Deletions	\$ 6,481.75
Net book value	\$	145,457.61	\$ 142,989.32		\$ 402,353.83

Depreciation Expense \$ 29,513.98

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

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 Position 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 Position and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount 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 pay period. 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

At December 31, 2013, 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 2013, actual expenditures, \$N/A, exceeded budgeted expenditures, \$N/A by \$N/A.

C. Uncollateralized deposits

During 2013, 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, 2013, the District's deposits totaled \$591,184.50, of which \$78,637.13 was cash deposits and \$512,497.37 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, 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, 2013	\$ 145,457.61
Additions	\$ 27,045.67
2013 depreciation	\$ 29,513.98
Balance December 31, 2013	\$ 142,989.33

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$259,364.52 as of December 31, 2013.

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 \$464,215.83.

VI. FUND EQUITY ACCOUNTS
DEFINITIONS:

Fund Balance

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

Designated for Compensated Absences

An accounts 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 meet operating expenses during the fiscal period without having to resort temporarily borrowing between receipts 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, 2013: \$357,958.00

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2013 are:

Balance January 1, 20123	\$ 60,481.21
Net Changes in Compensated Absences\$	1,867.11
Balance December 31, 2013	\$62,348.32

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 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 2013. The District was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2013, 2012, and 2011 were \$31,138.67, \$30,620.42, and \$29,337.22, 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 2013 were \$18,378.72.