

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 2010. 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 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

Our analysis of the SWCD's general fund begins on page 4. 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 decreased in 2010 from \$397,975 to \$360,003. In contrast, last year net assets decreased by \$5,470. 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	
	2010	2009
Current and other assets	\$ 873,934	\$1,217,596
Capital assets	\$ 107,569	\$ 129,896
Total assets	\$ 981,503	\$1,347,492
Long-term debt outstanding	\$ 62,087	\$ 58,208
Other liabilities	\$ 559,414	\$ 888,996
Total liabilities	\$ 621,501	\$ 947,203
Net assets		
Invested in capital assets,	\$ 107,569	\$ 129,896
Restricted	\$ 194,867	\$ 198,460
Unrestricted	\$ 57,566	\$ 56,650
Total net assets	\$ 360,003	\$ 397,975

Net assets of the SWCD governmental activities decreased by 9.5 percent (\$397,975 compared to \$360,003). 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 \$56,650 surplus on December 31, 2009 to a \$57,566 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 \$365,989 in 2010, total liabilities also decreased. Liabilities decreased, in large part, because of a reduction of \$339,776 in deferred revenues. It should be noted that this amount is affected by BWSR's new policy of withholding 10 percent of grant funds until all grant requirements are met. These 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 will reduce the cap from 800 hours in 2008 to 400 hours by 2012. Even with that change, compensated absences increased by \$3,879 from 2009 to 2010 due to the number of long term employees who accrue Paid Time Off at a higher rate.

TABLE 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues:		
Charges for service	\$ 51,173	\$ 49,906
Local grants	\$ 0.00	\$ 0.00
State grants and entitlements	\$736,822	\$ 482,069
County Grants	\$272,715	\$ 304,316
Miscellaneous revenues		
Investment earnings	\$ 24,338	\$ 35,879
Other misc.	\$ 3,447	\$ 5,640
Federal entitlements	\$ 2,111	
Other general revenues		
Total revenues	\$1,090,607	\$ 877,811
Program expenses		
General government		
Conservation		
Current	\$1,098,839	\$ 859,085
Capital Outlay	\$ 3,535	\$ 6,787
Total expenses	\$1,102,374	\$ 865,872
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net assets	\$ (11,767)	\$ 11,939

The SWCD's total revenues (excluding special items) increased significantly by 24 percent (\$212,796). This increase was largely due to the number of projects funded by state grants that were completed, including five large feedlot projects. The increase in revenues was partially offset by a decrease in some revenues, such as interest earnings which were down \$11,541 from 2009 to 2010 and a one-time grant for nutrient management for \$30,000 received in 2009 but not in 2010. The total cost of all programs and services also increased significantly by \$236,502 in 2010 compared to 2009 to pay for the state projects that were completed.

Governmental Activities

Revenues for the SWCD governmental activities increased by 24 percent (\$212,796) while total expenses increased 27 percent (\$236,502). The net assets for governmental activities decreased in 2010 by \$11,767. This compares to an increase of \$11,939 in net assets in 2009.

The SWCD did not request an increase in its county allocation in 2010, so it remained at \$210,000, which was the same amount received in 2008 and 2009 and also what was requested and approved for 2011. 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. For example, a contribution agreement with NRCS brought in \$2,111 for assisting with EQIP projects. Another contract for \$25,000 in technical assistance funds from BWSR was a result of two successful applications to NRCS for the Mississippi River Basin Initiative (MRBI). 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 is in its third year as the lead agency for the Root River Turbidity TMDL under a contract with the MPCA, and in its second year as the primary administrator of funds for the MN Department of Agriculture's "From Field to Watershed" edge-of-field monitoring project. These contracts support two staff positions and pay for administrative time to administer several subcontracts.

The cost of all governmental activities this year was \$1,102,374 compared to \$865,872 last year. Overall, the SWCD's governmental program revenues, including intergovernmental aid and fees for services, increased from \$837,143 in 2009 to \$1,062,821 in 2010 principally based on 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 (\$24,338) and other miscellaneous revenues (\$3,447).

THE 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 \$360,003, which is below last year's total of \$400,289. Included in this year's total change in fund balance, however, is a surplus of \$57,567 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 budget.

Without any adjustments, the actual changes to appropriations were \$1,576 below the final budget amounts. A decrease in state grant revenues of \$11,261 was the largest variation which was

primarily offset by an increase in interest earnings of \$9,338 over what was budgeted. The variance in expenditures was \$79,809 below the final budget, so the final result was an excess of revenues over expenditures of \$78,233. The most significant variance from the budget in expenditures occurred in the SWCD's expenditures for services and charges (-\$31,301), which were under budget in every category, and in expenditures for District and state projects (-46,927), some of which were over and others under the budgeted amounts for several grant funded projects. The Board did not approve a cost of living increase for staff in 2010 to slow the increase in expenses for personnel services. However, step increases were given as scheduled to all employees in recognition of the need to keep highly qualified and dedicated employees. There was a vacancy in one grant-funded position for three months, which was temporarily filled by a summer intern. This resulted in personnel costs being slightly under budget in 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the SWCD had \$107,569 invested in a broad range of capital assets, including a building, 3 vehicles, computers and miscellaneous field equipment. (See Table 4 below.) This amount represents a net decrease of \$22,326.79, or 17 percent, from last year.

Table 4
Capital Assets at Year-end

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Conservation Building	\$ 68,770	\$ 74,061
Equipment	\$ 38,799	\$ 55,835
	<u>\$107,569</u>	<u>\$129,896</u>

This year's major additions included:

Equipment for MDA Small Watershed Project	\$ 691
Equipment for Bacteria Testing Lab	\$ 752
Computer station for Engineering Technician	\$ 1,492
Windows 7 upgrade	<u>\$ 600</u>
	\$ 3,535

The SWCD's fiscal-year 2011 capital budget calls for it to spend \$ 48,356 for capital projects, principally for the replacement of its oldest field vehicle, which is ten years old. There are four computers which are five years old and the copier, which is used by both the SWCD and NRCS, is nine years old, so \$6000 has been set aside to replace these as needed. Also included in the total capital outlay amount is over \$29,000 to be transferred to the District's three-month operating fund to get the balance to what it should be to reflect the increased operating budget. The SWCD has no

plans to issue additional debt to finance these projects. Rather, the SWCD's Designated Funds for Computer and Equipment Replacement, Vehicle Replacement, District Building Maintenance, and Three-Month Operating Expense will be used for these expenditures. 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 2011 budget and fees that will be charged for the business-type activities. The local, state, and national economies are affecting SWCD funding from both the state and local level. The state cost share grant is about half of what it was in 2009, and another 25 percent cut is anticipated in fiscal year 2012. The ag economy, especially for dairy and beef producers, is still trying to recover, which reduces interest in some conservation programs. Crop prices are good right now, but that also provides an incentive to plant more acres rather than put acres into conservation practices. Livestock producers who were previously approved for EQIP and those who want to improve their 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. Three large feedlot runoff control projects were completed in 2010 along with 15 smaller projects. A Clean Water Fund application for \$534,850 was approved for seven feedlot projects, all of which should be completed in 2011 along with others funded from previous fiscal years. Those projects have technical assistance funds tied to them which help to support the technician position. The Root River Grazing Specialist assisted 36 producers with developing and implementing grazing plans and will expand his work area into the Whitewater watershed and Winona County in 2011. The Nutrient Management Specialist serves five counties and has 149 contacts covering 52,000 acres. A small fee will be charged for her plans as a match for the Clean Water Fund grant that will continue funding the position. All but about \$5,200 in 2007 flood relief grant funds were encumbered by the end of 2010 out of the original \$395,416. The remaining projects are expected to be completed in 2011. Two staff are partially funded through the Root River Turbidity TMDL grant from MPCA, which ends June 30, 2011. Those staff will continue to work on the Root River Comprehensive Strategy, for which the SWCD will be the lead agency. 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. Two staff are licensed as septic system inspectors to assist the county with new installations, which generates some revenue for the SWCD. 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. The SWCD will continue to charge a small fee for staff to complete Conservation Assessment Plans for landowners enrolled in the Rural Preserves Program, although proposed legislation may change this requirement. Personnel services are the SWCD's largest expense and the expense that continues to rise, although 2010 expenditures in this category came in slightly under budget. Reducing the allowable cap on PTO accumulation will help

to reduce the rising liability for compensated absences. Other sources of revenue in 2011 that had not been available in the past are \$16,000 from a contribution agreement with NRCS for the general CRP sign up that concluded in December 2010 and the technical assistance funds received from BWSR to support staffing for the MRBI watersheds to promote the additional federal funding available in those watersheds 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.

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, 2010

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$869,953		\$869,953
Accounts receivable	95		95
Interest Receivable	3,886		3,886
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		107,569	107,569
Total Assets	<u><u>\$873,934</u></u>	<u><u>\$107,569</u></u>	<u><u>\$981,503</u></u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$0		\$0
Trees Prepaid Deposits	\$2,852		\$2,852
Earnest Money	\$6,000		\$6,000
Salaries payable	8,560		8,560
Payroll tax payable	1,952		1,952
Sales tax payable	101		101
Deferred revenue	539,949		539,949
Long-term liabilities:			0
Due within one year		0	0
Due after one year		62,087	62,087
Total Liabilities	<u><u>\$559,414</u></u>	<u><u>\$62,087</u></u>	<u><u>\$621,501</u></u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$0	\$0	\$0
Unreserved			
Designated for future projects	194,867	(194,867)	0
Undesignated	119,653	(119,653)	0
Total Fund Balance	<u><u>\$314,520</u></u>	<u><u>(\$314,520)</u></u>	<u><u>\$0</u></u>
Net Assets			
Invested in capital assets		\$107,569	\$107,569
Designated Fund Balance		\$194,867	\$194,867
Unrestricted		57,567	57,567
Total Net Assets		<u><u>\$360,003</u></u>	<u><u>\$360,003</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, 2010

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$1,011,648	\$0	\$1,011,648
Charges for services	51,173	0	51,173
Investment earnings	24,338	0	24,338
Miscellaneous	3,447	0	3,447
Total Revenues	<u>\$1,090,607</u>	<u>\$0</u>	<u>\$1,090,607</u>
Expenditures/Expenses			
Conservation			
Current	\$1,098,839	\$29,740	\$1,128,579
Capital outlay	3,535	(3,535)	0
Total Expenditures/Expenses	<u>\$1,102,374</u>	<u>\$26,205</u>	<u>\$1,128,579</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	(\$11,767)	(\$26,205)	(\$37,973)
Fund Balance/Net Assets January 1	<u>326,287</u>	<u>69,620</u>	<u>397,975</u>
Fund Balance/Net Assets December 31	<u><u>\$314,520</u></u>	<u><u>\$43,414</u></u>	<u><u>\$360,003</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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$262,250	\$262,250	\$262,715	\$465
Local	1,500	1,500		(1,500)
Federal	0	0	2,111	2,111
State grant	848,083	848,083	746,822	(101,261)
Total intergovernmental	\$1,111,833	\$1,111,833	\$1,011,648	(\$100,185)
Charges for services	\$53,200	\$53,200	\$51,173	(\$2,027)
Miscellaneous				
Interest earnings	\$15,000	\$15,000	\$24,338	\$9,338
Other	2,150	2,150	3,447	1,297
Total miscellaneous	\$17,150	\$17,150	\$27,785	\$10,635
Total Revenues	\$1,182,183	\$1,182,183	\$1,090,607	(\$91,576)
Expenditures				
District operations				
Personnel services	\$520,414	\$520,414	\$518,456	\$1,958
Other services and charges	90,350	90,350	59,049	31,301
Supplies	4,300	4,300	3,143	1,157
Capital outlay	2,000	2,000	3,535	(1,535)
Total district operations	\$617,064	\$617,064	\$584,182	\$32,882
Project expenditures				
District	\$46,700	\$46,700	\$37,357	\$9,343
State	518,419	518,419	480,834	37,585
Total project expenditures	\$565,119	\$565,119	\$518,192	\$46,927
Total Expenditures	\$1,182,183	\$1,182,183	\$1,102,374	\$79,809
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	(\$11,767)	(\$11,767)
Fund Balance - January 1	\$314,348	\$314,348	\$326,287	\$0
Fund Balance - December 31	\$314,348	\$314,348	\$314,520	(\$11,767)

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2010**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$210,000.00
WATER PLAN MONEY	\$ 20,152.17
WETLAND MONEY	\$ 15,000.00
FEEDLOT MONEY	\$ 17,562.50
ABANDONED WELL	\$ _____
DNR SHORELAND	\$ _____
OTHER (specify)	\$ _____
TOTAL	<u>\$ 262,714.67</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.

	08-03-40	3,750.00	937.50
FR08-03	08-03-28	1,000.00	250.00
	08-03-30	1,000.00	250.00
	08-03-34	1,000.00	250.00
	08-03-35	1,000.00	250.00
	08-03-39	1,000.00	250.00
	08-03-40	10,000.00	2,500.00
	08-03-41	8,500.00	2,125.00
N/B-08	08-04	3,693.70	920.93

Total of all Cost-Share Encumbrances \$ 396,690.18

Balance of County WCA Funds: \$0.00

Balance of County Water Plan Funds: \$0.00

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

BWSR CWL Grazing Specialist Grant \$59,435.69

BWSR CWL/SE JPB Nutrient Mgt Specialist Grant \$24,237.47

BSWR FY11 MRBI TA Grant \$22,500.00

LWP Challenge Grant \$12,299.00

Subtotal of other funds: \$ 118,472.16

TOTAL OF ALL DEFERRED REVENUE: \$ 559,348.80***

***** Deferred revenue total includes \$19,400.00 being withheld by BWSR for FY2010 Feedlot Water Quality Management Grant.**

Capital Assets

Year End 12/31/2010

Exhibit 3

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2010 Depreciation	<\$500 Deletion	Ending Accumulated Depreciation	Asset Balance
Buildings	District Building		1997	35	\$ 109,407.00			\$ -	\$ 109,407.00	\$ 37,510.96	\$ 3,125.91	\$ -	\$ 40,636.87	\$ 68,770.13
	District Building Updates		2009	10	\$ 2,405.22			\$ -	\$ 2,405.22	\$ 240.52	\$ 240.52	\$ -	\$ 481.04	\$ 1,924.18
	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	\$ 9,795.62	\$ 1,851.14	\$ -	\$ 11,646.76	\$ 1,311.24
	2002 Dodge Grand Caravan		2006	7	\$ 6,481.75			\$ -	\$ 6,481.75	\$ 3,703.84	\$ 925.96	\$ -	\$ 4,629.80	\$ 1,851.95
	2005 Chevy Colorado Pick-up		2007	7	\$ 15,751.75			\$ -	\$ 15,751.75	\$ 6,750.75	\$ 2,250.25	\$ -	\$ 9,001.00	\$ 6,750.75
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	\$ 733.34	\$ 66.67	\$ -	\$ 800.01	\$ 199.99
	Pressure transducer		1999	5	\$ 597.63		\$ -	\$ -	\$ 597.63	\$ 836.69	\$ (239.06)	\$ -	\$ 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	\$ 4,086.39	\$ 454.04	\$ -	\$ 4,540.43	\$ 2,270.24
	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	\$ 3,999.60	\$ 444.40	\$ -	\$ 4,444.00	\$ -
	Office furniture (GIS Station)		2001	10	\$ 1,604.74		\$ -	\$ -	\$ 1,604.74	\$ 1,283.78	\$ 160.47	\$ -	\$ 1,444.25	\$ 160.49
	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	\$ 1,116.50	\$ 159.50	\$ -	\$ 1,276.00	\$ 319.00
	Canon N676U Scanner		2002	5	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Station Equipment		2002	15	\$ 11,966.00		\$ -	\$ -	\$ 11,966.00	\$ 5,584.12	\$ 797.73	\$ -	\$ 6,381.85	\$ 5,584.15
	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	\$ 1,064.00	\$ 266.00	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00		\$ -	\$ -	\$ 1,330.00	\$ 1,064.00	\$ 266.00	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00		\$ -	\$ -	\$ 1,330.00	\$ 1,064.00	\$ 266.00	\$ -	\$ 1,330.00	\$ -
	HP dc7600 CMT w/19" HP 1955 Monitor		2006	5	\$ 1,330.00		\$ -	\$ -	\$ 1,330.00	\$ 1,064.00	\$ 266.00	\$ -	\$ 1,330.00	\$ -
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31		\$ -	\$ -	\$ 955.31	\$ 382.12	\$ 191.06	\$ -	\$ 573.18	\$ 382.13
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.31		\$ -	\$ -	\$ 955.31	\$ 382.12	\$ 191.06	\$ -	\$ 573.18	\$ 382.13
	HP xw4600 w/HP L1950 Monitor		2008	5	\$ 955.30		\$ -	\$ -	\$ 955.30	\$ 382.12	\$ 191.06	\$ -	\$ 573.18	\$ 382.12
	Windows Vista w/visent		2008	3	\$ 814.73		\$ -	\$ -	\$ 814.73	\$ 543.16	\$ 271.57	\$ -	\$ 814.73	\$ -
	Office Professional Plus		2008	3	\$ 3,322.80		\$ -	\$ -	\$ 3,322.80	\$ 2,215.20	\$ 1,107.60	\$ -	\$ 3,322.80	\$ -
	ArcView		2008	3	\$ 6,532.62		\$ -	\$ -	\$ 6,532.62	\$ 4,355.08	\$ 2,177.54	\$ -	\$ 6,532.62	\$ -
	Arc GIS Spatial Analyst		2008	3	\$ 2,177.05		\$ -	\$ -	\$ 2,177.05	\$ 1,451.37	\$ 725.68	\$ -	\$ 2,177.05	\$ (0.00)
	Arc GIS Publisher		2008	3	\$ 2,177.05		\$ -	\$ -	\$ 2,177.05	\$ 1,451.37	\$ 725.68	\$ -	\$ 2,177.05	\$ (0.00)

Capital Assets

Year End 12/31/2010

Exhibit 3

Class	Asset	Expenditure Function	Purchased/ Constructed	Useful Life	Beginning Balance	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning	2010	Exhibit 3		Ending	Asset
										Accumulated Depreciation	Depreciation	<\$500 Deletion	Accumulated Depreciation	Balance	
	Acrobat Pro/Endpoint protection Software		2008	3	\$ 679.48		\$ -	\$ 679.48	\$ 452.99	\$ 226.49	\$ -	\$ -	\$ 679.48	\$ (0.00)	
	Buffalo Terastation Pro II		2008	5	\$ 1,059.66		\$ -	\$ 1,059.66	\$ 423.86	\$ 211.93	\$ -	\$ -	\$ 635.79	\$ 423.87	
	HP switch and Firewall Router		2008	5	\$ 534.33		\$ -	\$ 534.33	\$ 213.74	\$ 106.87	\$ -	\$ -	\$ 320.61	\$ 213.72	
	HP CP2025 DN Printer & Tray		2008	5	\$ 930.81		\$ -	\$ 930.81	\$ 372.32	\$ 186.16	\$ -	\$ -	\$ 558.48	\$ 372.33	
	Desk Unit		2008	10	\$ 1,789.47		\$ -	\$ 1,789.47	\$ 357.90	\$ 178.95	\$ -	\$ -	\$ 536.85	\$ 1,252.62	
	Turbidity Sensors & Cables	TMDL	2008	5	\$ 22,792.31		\$ -	\$ 22,792.31	\$ 9,116.92	\$ 4,558.46	\$ -	\$ -	\$ 13,675.38	\$ 9,116.93	
	Data Logger & Software	TMDL	2008	3	\$ 937.98		\$ -	\$ 937.98	\$ 625.32	\$ 312.66	\$ -	\$ -	\$ 937.98	\$ -	
	Site Mate Scouting Software	TMDL	2008	3	\$ 1,065.00		\$ -	\$ 1,065.00	\$ 710.00	\$ 355.00	\$ -	\$ -	\$ 1,065.00	\$ -	
	Dell Latitude D630 laptop	TMDL	2008	5	\$ 1,747.76		\$ -	\$ 1,747.76	\$ 699.10	\$ 349.55	\$ -	\$ -	\$ 1,048.65	\$ 699.11	
	HP IPAQ Pocket PC & Cable	TMDL	2008	5	\$ 845.01		\$ -	\$ 845.01	\$ 338.00	\$ 169.00	\$ -	\$ -	\$ 507.00	\$ 338.01	
	Dell M209X DLP Projector	TMDL	2008	5	\$ 1,010.69		\$ -	\$ 1,010.69	\$ 404.28	\$ 202.14	\$ -	\$ -	\$ 606.42	\$ 404.27	
	HP xw 4600 & HP 1950g Monitor		2009	5	\$ 942.53		\$ -	\$ 942.53	\$ 188.51	\$ 188.51	\$ -	\$ -	\$ 377.02	\$ 565.51	
	Office Pro Plus Software		2009	3	\$ 610.25		\$ -	\$ 610.25	\$ 203.42	\$ 203.42	\$ -	\$ -	\$ 406.84	\$ 203.41	
	Office Professional Plus Renewal		2009	3	\$ 2,828.64		\$ -	\$ 2,828.64	\$ 942.88	\$ 942.88	\$ -	\$ -	\$ 1,885.76	\$ 942.88	
	HP Z400 Computer & Memory		2010	5		\$ 1,491.97	\$ 1,491.97	\$ 1,491.97		\$ 298.39	\$ -	\$ -	\$ 298.39	\$ 1,193.58	
	Windows 7 Upgrade		2010	3		\$ 599.57	\$ 599.57	\$ 599.57		\$ 199.86	\$ -	\$ -	\$ 199.86	\$ 399.71	
	Pressure vacuum handpump w/gauge		2010	5		\$ 691.24	\$ 691.24	\$ 691.24		\$ 138.25	\$ -	\$ -	\$ 138.25	\$ 552.99	
	Eppendorf Repeater plus pipettor and tips		2010	5		\$ 752.20	\$ 752.20	\$ 752.20		\$ 150.44	\$ -	\$ -	\$ 150.44	\$ 601.76	
					\$ 332,260.70	\$ -	\$ 3,534.98	\$ -	\$ 335,795.68	\$ 202,364.74	\$ 25,861.77	\$ -	\$ 228,226.51	\$ 104,821.13	

		1/1/2010	12/31/2010	FY2009 Ending Fixed Asset Balance	\$ 332,260.70
Capital Assets	\$	332,260.70	\$ 335,795.68	FY2010 Additions	\$ 3,534.98
Accumulated Depreciation	\$	202,364.74	\$ 228,226.51	FY2010 Deletions	\$ -
Net book value	\$	129,895.96	\$ 107,569.17		\$ 335,795.68

Depreciation Expense \$ 25,861.77

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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 non-fiduciary 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 appropriable 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 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 PTO and up to a maximum of 600 hours as of December 31, 2010.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

At December 31, 2010, 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 2010, actual expenditures, \$N/A, exceeded budgeted expenditures, \$ N/A, by \$ N/A.

C. Uncollateralized deposits

During 2010, 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, 2010, the District's deposits totaled \$869,953.49, of which \$66,503.57 was cash deposits and \$803,449.92 was invested in certificates of deposit and money markets. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2010, 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, 2010	\$129,895.96
Additions	\$ 3,534.98
Deletions	\$ 0.00
2010 depreciation	\$ 25,861.77
Balance December 31, 2010	\$107,569.17

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$228,226.51 as of December 31, 2010.

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 \$559,348.80.

The Deferred Revenue Breakdown includes \$19,400.00 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 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 to temporarily borrowing between receipt of major revenue items and/or in 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, 2010: \$314,520.00

DESIGNATION FOR COMPENSATED ABSENCES

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 adjusted this designation so that it equals the sum on 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, 2010 are:

Balance January 1, 2010	\$58,207.62
Net Changes in Compensated Absences	\$ 3,879.27
Balance December 31, 2010	\$62,086.89

DESIGNATION OF CAPITAL OUTLAY

The District Administrator will maintain a Long-Range Equipment Needs Schedule approved by the Board of Supervisors. Fund Balance will be assigned to this account as it becomes available until sufficient funds are deposited to cover equipment purchases.

Designated for Vehicle Purchase	\$19,033.87
Designated for Computer and Equipment Replacement	\$ 303.82

DESIGNATION OF CASH FLOW/OPERATING EXPENSES

The Fillmore SWCD board of supervisors designated \$154,655.00 for Cash Flow/Operating Expenses.

Designated Amount For Cash Flow/Operating Expenses	\$154,655.00
--	--------------

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. Coordinated Plan members were required to contribute 6.0%, of their annual covered salary in 2010. The District was required to contribute the following percentages of annual covered payroll: 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2010, 2009, and 2008 were \$25,926.38, \$22,059.80, and \$18,831.91 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 2010 were \$18,378.72.