

MILLE LACS SOIL AND WATER CONSERVATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
2009**

The Mille Lacs SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's financial statements (beginning on page 6).

FINANCIAL HIGHLIGHTS

Included with the Management Discussion and Analysis are the complete financial breakdowns of the fiscal year ending December 31, 2009.

Including:

Statement of Net Assets and Governmental Fund Balance Sheet

Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance

Budgetary Comparison Schedule Budget and Actual General Fund

Each financial report works closely together with the Notes to the 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 6 and 7) 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 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Mille Lacs 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 6. One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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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.

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 8 and provides detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE SWCD AS A WHOLE

The SWCD's combined net assets were lower, decreasing from \$88,581 to \$69,842. In contrast, last year net assets increased by \$34,500. Looking at the net assets and net expenses of governmental activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental and business-type activities.

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TABLE 1 - Net Assets	Governmental Activities	
	2009	2008
Current and other assets	\$132,993	\$157,175
Capital assets	\$5,804	\$5,879
Total assets	\$138,797	\$163,054
Long-term debt outstanding	\$11,437	\$8,926
Other liabilities	\$57,518	\$65,547
Total liabilities	\$68,955	\$74,473
Net assets		
Invested in capital assets, net of debt	\$0	\$0
Restricted		
Unrestricted	\$75,476	\$82,703
Total net assets	\$69,842	\$88,581

Net assets of the SWCD governmental activities decreased by 26.83 percent (\$69,842 compared to \$88,581). 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 an \$82,703 surplus at December 31, 2008 to a \$75,476 surplus at the end of this year.

TABLE 2 - Changes in Net Assets	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for service	\$26,104	\$27,687
Federal grants		
State grants and entitlements	\$107,032	\$133,584
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Other general revenues	\$991	\$14,251
Total revenues	\$134,127	\$175,522
Project expenses		
General government		
Conservation	\$152,824	\$147,510
Total expenses	\$152,824	\$147,510
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Change in net assets	-\$18,697	\$28,012

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The SWCD's total revenues decreased by 30.86 percent. The total cost of all projects and services increased by \$5,314, or 3.60% with no new programs added this year. Even with this growth in expenses and the sale of trees for conservation, the SWCD was able to cover this year's costs. Our analysis below separately considers the operations of governmental activities.

THE SWCD's FUNDS

As the SWCD completed the year, its general fund as presented in the balance sheet on page 6 reported a combined fund balance of \$69,842 which is lower than last year's total of \$82,703. Included in this year's total change in fund balance is a deficit of \$18,697 in the SWCD's General Fund. The primary reasons for the General Fund's deficit mirror the governmental activities analysis highlighted on pages 6 and 7.

General Fund Budgetary Highlights

Over the course of the year, the SWCD revised the budget following a 5% (\$3,225) reduction in the anticipated County allotment as a result of funding cuts the County received from the State of Minnesota.

The actual charges to appropriations (expenditures) were \$12,539 below the final budget amounts. The most significant negative variance occurred in the SWCD's intergovernmental services, State grant revenue category. These variances occurred due to state revenue deferred that was not recognized in 2009 but will be offset in future years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the SWCD had \$5,804.07 invested in a range of capital assets, including (District vehicle, computers, office furniture, cameras, tree planter, interseeder, and miscellaneous items etc). The District Board set a policy in 2007 per auditor suggestion to set the District capitalization rate at \$5,000.

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Equipment	<u>\$5,804</u>	<u>\$5,879</u>

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The SWCD's fiscal-year 2009 capital budget does not include any plans for capital outlays. The SWCD has no plans to issue additional debt to finance any new projects. More detailed information about the SWCD's capital assets is presented in the Notes to the Financial Statements on page 16.

Long-Term Liabilities

Long-Term Liabilities other obligations include accrued vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in the Notes to the Financial Statements on pages 14-15.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected officials considered many factors when setting the fiscal-year 2009 budget, they take into consideration the cost increases in product, rent, salaries, and fees, etc. for the new year. The District makes decisions based on what we believe we may receive from our main funding sources the State and the County.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Mille Lacs County and the State of Minnesota with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the SWCD's District Manager, Susan Shaw at 320-983-2160.

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

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$128,534		\$128,534
Accounts receivable	4,121		4,121
Due from other governments	0		0
Prepaid items	338		338
Capital Assets:			
Equipment (net of accumulated depreciation)		5,804	5,804
Total Assets	\$132,993	\$5,804	\$138,797
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$813		\$813
Salaries payable	1,386		1,386
Deferred revenue	55,319		55,319
Long-term liabilities:			
Due within one year		0	0
Due after one year		11,437	11,437
Total Liabilities	\$57,518	\$11,437	\$68,955
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$338	(\$338)	\$0
Unreserved			
Designated for future projects	0	0	0
Undesignated	75,137	(75,137)	0
Total Fund Balance	\$75,475	(\$75,475)	\$0
Net Assets			
Invested in capital assets		\$5,804	\$5,804
Unrestricted		64,038	64,038
Total Net Assets		\$69,842	\$69,842

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

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$107,032	\$0	\$107,032
Charges for services	26,103	0	26,103
Investment earnings	838	0	838
Miscellaneous	154	0	154
Total Revenues	\$134,127	\$0	\$134,127
Expenditures/Expenses			
Conservation			
Current	\$152,824	\$2,586	\$155,410
Capital outlay	0	0	0
Total Expenditures/Expenses	\$152,824	\$2,586	\$155,410
Excess of Revenues Over (Under)			
Expenditures/Expenses	(\$18,697)	(\$2,586)	(\$21,283)
Fund Balance/Net Assets January 1	94,172	(3,048)	91,124
Fund Balance/Net Assets December 31	\$75,475	(\$5,634)	\$69,841

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$84,408	\$81,183	\$80,200	(\$983)
Local	18,500	18,500	18,423	(77)
Federal	0	0	0	0
State grant	35,195	35,195	8,409	(26,786)
Total intergovernmental	\$138,103	\$134,878	\$107,032	(\$27,846)
Charges for services	\$26,460	\$26,460	\$26,104	(\$356)
Miscellaneous				
Interest earnings	\$800	\$800	\$838	\$38
Other	0	0	154	154
Total miscellaneous	\$800	\$800	\$991	\$191
Total Revenues	\$165,363	\$162,138	\$134,127	(\$28,011)
Expenditures				
District operations				
Personnel services	\$100,585	\$100,585	\$94,510	\$6,075
Other services and charges	21,064	21,064	22,540	(1,476)
Supplies	900	900	426	474
Capital outlay	0	0	0	0
Total district operations	\$122,549	\$122,549	\$117,476	\$5,073
Project expenditures				
District	\$33,994	\$33,994	\$32,608	\$1,386
State	8,820	8,820	2,739	6,081
Total project expenditures	\$42,814	\$42,814	\$35,347	\$7,467
Total Expenditures	\$165,363	\$165,363	\$152,824	\$12,539
Excess of Revenues Over (Under)				
Expenditures	\$0	(\$3,225)	(\$18,696)	(\$15,471)
Fund Balance - January 1	\$94,172	\$94,172	\$0	\$0
Fund Balance - December 31	\$94,172	\$90,947	(\$18,696)	(\$15,471)

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BREAKDOWN OF COUNTY REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009

COUNTY REVENUES (breakdown):	
ANNUAL ALLOCATION	<u>\$ 61,275.00</u>
WATER PLAN MONEY	<u>\$ 13,457.38</u>
WETLAND MONEY (WCA)	<u>\$ 5,467.77</u>
OTHER (specify)	<u>\$ -</u>
TOTAL	<u>\$ 80,200.15</u>

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DEFERRED REVENUE BREAKDOWN
FOR THE YEAR ENDED DECEMBER 31, 2009

Balance of BWSR Service Grants: \$ 22,443.51

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 6,399.75

Previous fiscal year \$ -

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

FY	Contract #	Contract Amount	T&A Encumbered
2007	FY07-1	\$ 3,052.00	\$ 610.40
2008	FY08-3	\$ 7,311.00	\$ 1,828.06
2009	FY09-1	\$ 8,820.00	\$ 2,205.00

Total of all Cost-Share Encumbrances \$ 23,826.46

Balance of County WCA Funds: \$ 2,285.50

Balance of County Water Plan Funds: \$ -

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

ECE Operation Round Up Grant \$ 363.71

Subtotal of other funds: \$ 363.71

TOTAL OF ALL DEFERRED REVENUE: \$ 55,318.93

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

The financial reporting policies of the Mille Lacs 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 the MN Stat. Ch. 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 Mille Lacs Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's 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 which 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 Mille Lacs 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 Mille Lacs Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

1. Governmental Funds: General Fund

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

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B. Basis of Presentation – Fund Accounting (Continued)

2. General Fixed Assets Account Group

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

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

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

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

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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 expenditures 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 which has been legally segregated for specific purposes or is not appropriate for spending.

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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 which 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

1. Annual Leave

a. Accrual Rates: Under the District’s personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Regular employees are credited with annual leave at the end of each 80 hours pay period as follows or as negotiated:

Years of service	Hours earned
0-3	4 hours
4-5	5 hours
6-10	6 hours
11-15	7 hours
16-20	8 hours
21+	9 hours

b. Limited Carry-Over of Accrued Annual Leave: The maximum carry over of unused vacation leave allowed at the end of a calendar year is 240 hours. The carry over is to be calculated as of December 31 of each year.

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2. Sick Leave

- a. Rate of Accrual - four (4) hours for each eighty (80) hours worked.
- b. Maximum Accumulation of Sick Leave
A total of 960 hours may be carried over from one fiscal year to the next. An employee who has a sick leave accumulation in excess of 960 hours as of December 31 shall have one-half of the hours accumulated in excess of 960 hours added to the employee's vacation accrual, and the other one-half paid to the employee at the employee's regular rate of pay as of December 31. The conversion to vacation and the cash payment will be made by the Employer in January the following year.
- c. Unused Sick Leave: Severance pay is based on the following tenure of continuous years of service:

Beginning of Employment through (3) years - None

Beginning of fourth (4) through tenth (10th) year - 25% of unused sick leave

Beginning of eleventh (11th) year and over - 50% of unused sick leave

Maximum benefit is not to exceed fifty (50) days

Employees are allowed to borrow up to 40 hours against sick leave for up to one year ahead. If an employee leaves the district before time is even, wages or salary will be reimbursed by the employee at current wage at time of leaving. Borrowed sick leave must be on a monthly pre-approved basis.

3. Years of Service

In addition, employees with 10 years or more service shall receive additional severance pay and shall be paid upon termination in good standing one day's pay at prevailing pay scale for year of service.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit - NA

B. Excess of Expenditures Over Budget - NA

C. Uncollateralized deposits

During 2009, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral

III. DEPOSITS AND INVESTMENTS

Minn. Stat. 118A.02 and 118A.04 authorized the District to deposit its cash and to invest in certificates of deposit in financial institutions designed by the Board of Supervisors. At December

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31, 2009, the District's deposits totaled \$128,534, of which \$ 126,732 were cash deposits and \$1,802 was invested in certificates of deposit. Minnesota statutes require that all District deposits be covered by insurance, surety bond or collateral. At December 31, 2009, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2009	<u>\$36,332.65</u>
Additions	<u>\$0.00</u>
Deletions	<u>\$11,199.00</u>
2009 Depreciation	<u>\$75.23</u>
Balance December 31, 2009	<u>\$25,208.88</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which total \$5,804.17 as of December 31, 2009.

The District uses a threshold of \$5,000 for capitalizing assets purchased. Those physical assets under \$5,000 are expensed directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources and Mille Lacs 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 \$55,318.93.

VI. COMPENSATED ABSENCES PAYABLE

A. Charges in long-term debt for the year ended December 31, 2009 are:

Balance – January 1, 2009	<u>\$8,925.95</u>
Net change in compensated absences	<u>\$2,510.69</u>
Balance – December 31, 2009	<u>\$11,436.64</u>

B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

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VII. RISK MANAGEMENT

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

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

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

VIII. PENSION PLAN

A. Plan Description

The District contributes to cost-sharing multiple-employer defined benefit pension plan administered by 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. The plan and its benefits are established and administered in accordance with Minn. 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, 55102-1855.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% effective January 1, 2010. The District's employer share of contributions to PERA for the years ending December 31, 2009, 2008, and 2007 were \$4,554.40, \$4,074.38, and \$3,828.76 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2009 were \$9,184.00.