

BENTON SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Benton SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended 2008. Since this information is designed to focus on the current years activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's financial statements (beginning on page 7).

FINANCIAL HIGHLIGHTS (not required, see page 183 of GASB # 34)

The assets of the Benton SWCD exceeded its liabilities for calendar year 2008 by \$71,138, an increase of \$4,705 from calendar year 2007.

The district acquired three capital assets (three computers) in 2008.

The district entered into a contract with the Minnesota Pollution Control Agency (MPCA) to conduct a Total Maximum Daily Load (TMDL) study for Little Rock Lake. The project resulted in \$45,959.71 in revenue in 2008.

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 7 and 8) 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 9. 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. Benton SWCD has elected to present in this format.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD's net assets and changes in them. You can think of the SWCD's net assets — the difference between assets and liabilities—as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the condition of the SWCD's capital assets 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 state, county and charges for services finance most activities.

Reporting the SWCD's General Fund

Fund Financial Statements

Our analysis of the SWCD's general fund begins on page 9. The fund financial statements begin on page 9 and provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE SWCD AS A WHOLE

The SWCD's combined net assets were increasing from \$104,069 to \$110,142. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental activities.

Table 1
Benton SWCD's Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	370,732	348,585
Capital assets	42,217	45,059
Total assets	412,949	393,644
Long-term liabilities outstanding	3,213	3,082
Other liabilities	299,594	285,125
Total liabilities	302,807	288,207
Net assets		
Invested in capital assets, net of debt	42,217	45,059
Unrestricted	67,925	60,378
Total net assets	110,142	105,437

Net assets of the SWCD governmental activities increased by 4 percent (\$110,142 compared to \$105,437). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$60,378 at the end of 2007 to \$67,925 at the end of this year. This surplus in net assets arose primarily because revenues increased more than expenses as described in the next section – Government Activities.

TABLE 2
Changes in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for service	53,661	46,465
Operating grants and contributions	267,693	156,896
Capital grants and contributions	1,203	4,557
General revenues		
County allocation	142,500	138,075
State Aid	25,212	25,249
Investment earnings	15,310	15,657
Miscellaneous	3,425	5,499
Total revenues	509,004	392,398
Program expenses		
Conservation	501,326	350,703
Total expenses	501,326	350,703
Change in net assets	4,705	41,695
Net assets – beginning	105,437	63,742
Net assets - ending	110,142	105,437

Governmental Activities

The district's total revenues increased by 30 percent or \$116,606. The reason for this increase is primarily due to increases in state grants and Little Rock Lake TMDL contracted work.

The total cost of all programs increased by nearly 43 percent or \$150,623. The primary reason for this increase is due to the increase in state expenses including the Little Rock Lake TMDL project.

Table 3 presents the cost of the District's only program – Conservation. Conservation includes numerous activities including Tree Program, Environmental Education, Clean Water Legacy, State Cost Share, Feedlot Cost Share, Environmental Quality Incentives Program, Conservation Reserve Program, Elk River Watershed Association 319 Grant, Local Water Management Plan, Little Rock Creek Impaired Water Study, Little Rock Lake Impaired Water Study and Wetlands Conservation Act Technical Assistance. The table also shows the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden placed on the District by this function.

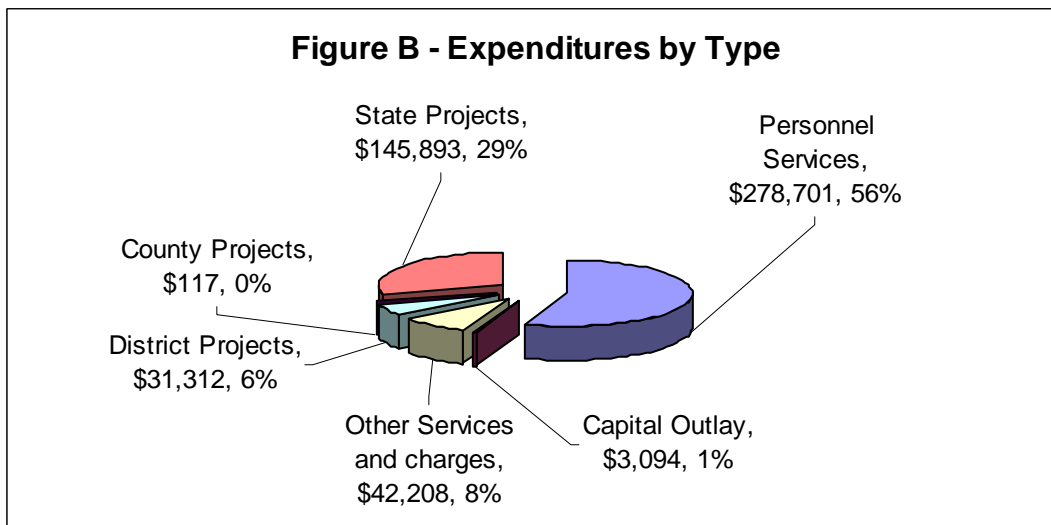
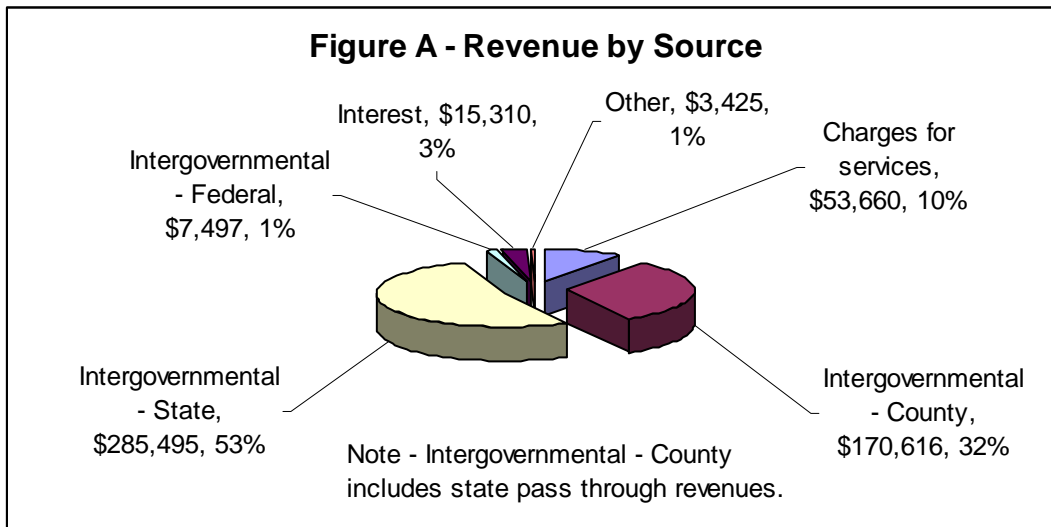
Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Conservation	\$501,326	\$350,703	\$178,769	\$142,785

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 \$71,138, an increase of \$7,678 over 2007. The primary reasons for the general fund's surplus are the same reasons for the surplus in the governmental net assets.

See Figure A for a pictorial analysis of revenues by source and Figure B for expenditures by type.



General Fund Budgetary Highlights

The largest deviation from the District’s budget was in the State revenues. This was partially due to lower than expected reimbursement for the Little Rock Lake TMDL. Likewise Little Rock Lake TMDL expenses were smaller. Fewer than expected BWSR Clean Water Legacy Grant projects were installed than expected. A decrease in the amount of reimbursed expenses for the Little Rock Creek TMDL was also realized. Other areas of deviation were in the USDA Contribution Agreements and Elk River Watershed TMDL’s. Rent/Phone/IT expenses were lower than expected because the district was not charged for IT expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the SWCD had \$42,217 invested in a broad range of capital assets, including field equipment, office equipment, tree and food plot planters, a manure spreader, load scales and office furniture. This amount represents a net decrease (including additions and deductions) of \$2,842 under last year. This year's additions included three new computers.

The SWCD's fiscal-year 2009 capital budget calls no expenditures for capital projects. More detailed information about the SWCD's capital assets is presented in Note IV to the financial statements.

Long-Term Liabilities

Obligations include accrued compensated absences. More detailed information about the District's long-term liabilities is presented in Note 1-G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

We are anticipating numerous small percentage changes in various district revenues. The overall affect is expected to be a reduction in total revenue. The district will be charged approximately \$9,000 for IT services in 2009. Overall expenses will increase. We expect a net deficit for 2009. To adjust for this the district board froze salaries at 2008 levels and made other spending adjustments where possible, including no capital purchases. The remaining deficit will be paid for from the undesignated fund balance remaining from 2008.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Benton Soil and Water Conservation District at 14 2nd Avenue West, Foley, MN 56329.

BENTON SOIL AND WATER CONSERVATION DISTRICT
FOLEY , MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$330,044		\$330,044
Accounts receivable	1,091		1,091
Interest Receivable	552		552
Due from other governments	34,679		34,679
Inventory	4,365		4,365
Capital Assets:			
Equipment (net of accumulated depreciation)		42,217	42,217
Total Assets	\$370,732	\$42,217	\$412,949
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$10,157		\$10,157
Salaries and Compensation Payables	11,123		11,123
Deferred revenue	268,286		268,286
Deposits	8,036		8,036
Due to other governments	1,991		1,991
Long-term liabilities:			
Due within one year		0	0
Due after one year		3,213	3,213
Total Liabilities	\$299,594	\$3,213	\$302,807
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$0	\$0	\$0
Unreserved			
Designated for inventory	4,365	(4,365)	0
Undesignated	66,773	(66,773)	0
Total Fund Balance	\$71,138	(\$71,138)	\$0
Net Assets			
Invested in capital assets		\$42,217	\$42,217
Unrestricted		67,925	67,925
Total Net Assets		\$110,142	\$110,142

BENTON SOIL AND WATER CONSERVATION DISTRICT
FOLEY , MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$436,609	\$0	\$436,609
Charges for services	53,660	0	53,660
Investment earnings	15,310	0	15,310
Miscellaneous	3,425	0	3,425
Total Revenues	\$509,004	\$0	\$509,004
Expenditures/Expenses			
Conservation			
Current	\$498,232	\$6,068	\$504,300
Capital outlay	3,094	(3,094)	0
Total Expenditures/Expenses	\$501,326	\$2,974	\$504,300
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$7,678	(\$2,974)	\$4,704
Fund Balance/Net Assets January 1	63,460	41,978	105,438
Fund Balance/Net Assets December 31	\$71,138	\$39,004	\$110,142

BENTON SOIL AND WATER CONSERVATION DISTRICT
FOLEY , MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Neg)</u>
Revenues			
Intergovernmental			
County	172,260.00	170,616.00	-1,644.00
Local	0.00	0.00	0.00
Federal	4,000.00	7,497.00	3,497.00
State grant	334,105.00	258,495.00	-75,610.00
Total intergovernmental	510,365.00	436,608.00	-73,757.00
Charges for services	54,025.00	53,661.00	-364.00
Miscellaneous			
Interest earnings	16,000.00	15,310.00	-690.00
Other	3,050.00	3,425.00	375.00
Total miscellaneous	19,050.00	18,735.00	-315.00
Total Revenues	583,440.00	509,004.00	-74,436.00
Expenditures			
District operations			
Personal services	282,310.00	279,061.00	3,249.00
Other services and charges	53,206.00	39,271.00	13,935.00
Supplies	4,050.00	2,578.00	1,472.00
Capital outlay	3,500.00	3,094.00	406.00
Total district operations	343,066.00	324,004.00	19,062.00
Project expenditures			
District	31,340.00	31,312.00	28.00
State and Other	209,107.00	146,010.00	63,097.00
Total project expenditures	240,447.00	177,322.00	63,125.00
Total Expenditures	583,513.00	501,326.00	82,187.00
Excess of Revenues Over (Under)			
Expenditures	-73.00	7,678.00	7,751.00
Fund Balance - January 1	63,460.00	63,460.00	0.00
Fund Balance - December 31	63,387.00	71,138.00	7,751.00

**BREAKDOWN OF COUNTY REVENUE
2008**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ <u>142,500.00</u>
WATER PLAN MONEY	\$ <u>22,791.39</u>
WETLAND MONEY	\$ <u>5,325.00</u>
FEEDLOT MONEY	\$ <u>0</u>
ABANDONED WELL	\$ <u>0</u>
DNR SHORELAND	\$ <u>0</u>
OTHER (specify)	\$ <u>0</u>
 TOTAL	 \$ <u><u>170,616.39</u></u>

**DEFERRED REVENUE BREAKDOWN
2008**

Balance of BWSR FY07 Clean Water Legacy Technical Assistance Grant	\$ <u>42,721.88</u>
Balance of BWSR FY08 Clean Water Legacy Technical Assistance Grant	\$ <u>27,270.00</u>
Balance of BWSR FY09 Clean Water Legacy Technical Assistance Grant	\$ <u>46,758.00</u>
Balance of BWSR Service Grants:	\$ <u>50,337.00</u>
Balance of <u>unencumbered</u> BWSR Cost-Share Grants (2009) Current fiscal year	\$ _____
<u>20,869.00</u>	
FY08 Native Buffer	\$ <u>5,000.00</u>
(2008) Previous fiscal year	\$ <u>16,422.12</u>

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

FY	Contract No.	Contract Amount	T & A Encumbered
FY07	CWL-08	3,525.75	
FY07	CWL-26	6,186.67	
FY07	CWL-36	150.00	
FY07	CWL-37	300.00	
FY07	CWL-49	1,543.11	
FY07	CWL-54	10,300.00	
FY07	CWL-55	1,696.03	
FY07	CWL-56	2,069.79	
FY08	FY08-02	650.00	162.50
FY08	FY08-05	435.00	108.75
FY08	FY08-07	425.00	106.25

Total of all Cost-Share Encumbrances \$ 27,658.85

Balance of County WCA Funds: \$ 7,500.00

Balance of County Water Plan Funds: \$ 23,749.47

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

_____ \$ _____

_____ \$ _____

_____ \$ _____

Subtotal of other funds: \$ _____

TOTAL OF ALL DEFERRED REVENUE: \$268,286.32

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Benton 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 Benton 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 Benton 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 Benton Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

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

2. General Fixed Assets Account Group

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

3. General Long-Term Debt Account Group

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

C. Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

D. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

E. Assets, Liabilities, and Equity Accounts

1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Fixed Assets are reported on a net (depreciated) basis. General fixed assets are 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 vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave is 40 hours and the limit on sick leave is 800 hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 0 hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to 0 hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(Use only notes that are applicable to your district—if one does not apply, type “N/A” in those blanks, except item “C”)

A. General Fund Deficit

At December 31, 2008, there was no General Fund deficit, therefore this section is not applicable.

B. Excess of Expenditures Over Budget

During 2008, actual expenditures, \$501,275.00, did not exceed budgeted expenditures, \$583,513.00, therefore, this section is not applicable.

C. Uncollateralized deposits

During 2008, 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, 2008, the District's deposits totaled \$330,044.14, of which \$ 164,652.66 were cash deposits (including money market) and \$ 165,391.48 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2008, 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, 2008	<u>\$45,060.00</u>
Additions	<u>\$ 3,094.00</u>
Deletions	<u>\$ 0.00</u>
2008 depreciation	<u>\$ 5,937.00</u>
Balance December 31, 2008	<u>\$ 42,217.00</u>

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$ 29,051.00 as of December 31, 2008.

The District uses a threshold of \$ 100.00 for capitalizing assets purchased. Those physical assets under \$100.00 are expensed directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Benton 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 \$ 268,286.32.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2008 are:

Balance January 1, 2008	\$ <u>3,082.00</u>
Net Changes in Compensated Absences	<u>\$131.00</u>
Balance December 31, 2008	<u>\$3,213.00</u>

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

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

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

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

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2009. The District's employer share of contributions to PERA for the years ending December 31, 2008, 2007, and 2006 were \$13,580.29, \$ 11,486.94, and \$ 8,237.39 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 2008 were \$9,459.00.