

Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

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 8.67 to 17.33 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave is 240 hours and sick leave is 960 hours.. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to 35 percent of accrued sick leave.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 - Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$20,962.00	\$2,682.30	\$0	\$23,644.30
Less: Accumulated Depreciation	<u>\$4,017.36</u>	\$0	\$0	<u>\$4,017.36</u>
Net Capital Assets	<u>\$16,944.64</u>			<u>\$19,626.94</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment. Current year depreciation is \$4,017.36.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program, as well as other local grant monies (\$10,500.00). Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2016, consists of the following: BWSR Cost Share Programs, \$17,688.00; Clean Water Funds, \$272,874.08;

BWSR Buffer Grant, \$10,000.00; BWSR Conservation Delivery Funds, \$19,737.00; Total of unearned revenue, \$ 320,799.08.

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2016 are:

Balance January 1, 2016	\$40,810.00
Net Change in Compensated Absences	<u>\$3,412.15</u>
Balance December 31, 2016	<u>\$44,222.15</u>

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description - Public Employees Retirement Association

The District contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee 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 55103-1855.

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 6.5% of their

annual covered salary. The District is required to contribute 7.5% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2016, 2015 and 2014 were \$20,624.85, \$16,054.49, and \$15,026.82, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 - Operating Leases

The District leases office space on a yearly basis. Under the current agreement total costs for 2016 were \$11,784.48.

Note 5 - Stewardship, Compliance and Accountability

There were no excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$953,421.46; Budget \$996,817.00.

Note 6 - Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	\$180,628
Plus: Excess of Revenue Over Expenditures	\$14,318
Governmental Fund Balance, December 31	<u>\$194,946</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$ 19,627
Plus: Deferred Outflows of Resources	\$0
Less: Long-Term Liabilities	\$ 44,222
Less: Deferred Inflows of Resources	\$0
Net Position	<u>\$(24,595)</u>

Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	\$14,318
Capital Outlay	\$2,682
Pension Expense, net	\$0
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	\$4,016
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>\$3,412</u>
Change in Net Position	<u>\$24,428</u>