

Management Discussion and Analysis

**Renville Soil & Water Conservation District
1008 West Lincoln
Olivia MN 56277**

For the Fiscal Year Ending December 31, 2009

The information in this report is designed to focus on the current year activities, resulting changes and currently know facts, it should be read in conjunction with the Renville SWCD financial statements. The Renville Soil & Water Conservation District's discussion and analysis provides an overview of the Soil & Water Conservation District's (SWCD) activities for the fiscal year ended December 31, 2009.

Financial Highlights:

These statements are prepared in accordance with Government Accounting Standards Board Rule 38, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

Fixed assets (capital assets) are reported on a net (depreciated) basis.

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 provide information about activities of the SWCD as a whole and present a longer-term view of the Renville Soil & Water Conservation District's finances. 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 Soil & Water Conservation Districts 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. Renville Soil & Water Conservation District 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 is attached. One of the most important questions asked about the SWCD 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 accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD net assets and changes in them. You can think of the SWCD assets – the difference between assets and liabilities – as one way to measure the SWCD financial health, or financial position. Over time, increases or decreases in the SWCD 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 the SWCD basic services are reported here. Appropriations from Renville County and the State of Minnesota fund most activities. The remainder of revenue is from SWCD sale of trees, tree mats, tree stakes and tubes and miscellaneous income from interest and other sources.

Reporting the Renville SWCD’s General Fund

Fund Financial Statements

An analysis of the SWCD general fund is attached. The fund financial statements 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 basic services are reported in the general fund, which focuses on how money flows into and out of those funds and 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.

Renville SWCD as a Whole:

The District's combined net assets did not change significantly from the previous year. Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

Net Assets

Governmental Activities

	2009	2008
Current Assets	\$414,049	\$392,342
Capital Assets, net of depreciation	\$ 6,188	\$ 7,150
Liabilities, deferred revenue	\$152,380	\$121,462
Long term liabilities	<u>\$ 25,402</u>	<u>\$ 28,448</u>
Total Net Assets	\$242,455	\$242,746

Table: Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues		
Governmental Revenue		
County	\$139,844	\$131,682
State	\$227,583	\$179,885
Other Governments	\$ 75	\$ 2,250
Charges for Services	\$ 18,012	\$ 17,202
Miscellaneous		
Interest	\$ 5,806	\$ 13,165
Other	<u>\$ 17,799</u>	<u>\$ 13,628</u>
Total Revenues	\$409,119	\$358,812
Program Expenses		
District Operations		
District Operations	\$240,150	\$291,311
Project Expenditures	<u>\$171,344</u>	<u>\$ 73,686</u>
Total Expenditures	\$411,494	\$364,997

Total revenues increased by \$50,307 total expenditures increased by \$46,497. The increase in both revenues & expenditures can be partially attributed to payments made to landowners who completed projects funded with the State of Minnesota Native Buffer Cost-Share Program. Some of the grant funds were receipted and then deferred to 2009 and additional funds were obtained through a grant funded in 2009. The vast majority of Project Expenses are direct payments to landowners for projects completed on their property.

Capital Assets

At the end of 2009 the Renville SWCD had \$6,188 invested in equipment, vehicles and one building. Original cost of equipment was \$54,969 with accumulated depreciation of \$48,781. Much of the Renville SWCD equipment is fully depreciated.

Economic Factors affecting the 2010 Budget

The Renville SWCD elected Board of Supervisors, along with the staff, considered many factors when setting the 2010 budget. Funding from State and County government is at best uncertain with the State of Minnesota facing a budget deficit for the foreseeable future. More complete information will be available after the legislative session in late spring and the budget can be adjusted at that time if necessary.

Fees for service will be down as the SWCD will no longer offer a tree program. With the absence of State or Federal programs giving landowners incentives to plant trees, the program is no longer economically feasible. The Renville SWCD staff and board continue to pursue all available areas of improved funding and are willing to partner with other agencies and governments to provide services that will also improve funding for the SWCD.

In 2006 the Renville SWCD partnered with Redwood SWCD to write a grant to fund easements in the Minnesota River Valley. The grant was approved by the Legislative Citizens Commission on Minnesota Resources and funded by the 2007 legislature in the amount of \$563,000 for easements, restoration and administration. That grant has been completed with all funds spent before the June 30, 2009 deadline. The Renville SWCD partnered with Redwood, Yellow Medicine, Chippewa and Lac qui Parle SWCD offices to request additional fund from the LCCMR to protect additional acres. That grant was funded at \$1.5 million by the Minnesota Legislature with funds available July 1, 2009. Fourteen easements are currently being processed. Administrative funding from the LCCMR Grant was included in the 2010 budget. Payments to landowners are paid directly from the State of Minnesota and therefore are not included in the budget. An additional \$1.8 million has been recommended for funding by the LCCMR and is currently awaiting legislative approval.

In November of 2008 Minnesota voters approved a Constitutional Amendment which will increase the sales tax by 3/8 of 1% with funds dedicated to the environment and natural resources. The SWCD has been working to actively pursue any funds available through the amendment money. The Board & Staff did not include any of those funds in the 2010 budget since most funds are available through competitive grant applications.

The 2010 Budget does not include administrative funds for the newly implemented Buffer Easement Program. Promotion of the program began in December 2009 and has been well received by Renville County landowners. It is anticipated that administrative funds will be coming to the SWCD but it is unclear when the money will be transferred to the SWCD.

Contacting the Renville Soil & Water Conservation District

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the SWCD's finances and to show the Renville Soil & Water Conservation Districts accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Renville SWCD at 1008 West Lincoln Avenue, Olivia MN 56277. The phone number is 320-523-1559. The Office Manager's email address is karen.flom@mn.nacdnet.net