

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Morrison Soil and Water Conservation District's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended 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 1).

### **FINANCIAL HIGHLIGHTS**

The assets of the Morrison Soil and Water Conservation District exceeded its liabilities at the close of the most recent calendar year by \$271,652. Of this amount \$2,910 is reserved for prepaid items and the remaining balance of \$268,742 is considered unreserved, undesignated fund balance.

At the end of the year the total net assets of \$281,852 was considered unrestricted and will be spent according to board discretion.

### **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 1 and 2) provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD'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 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. Morrison Soil and Water Conservation District has elected to present in this format.

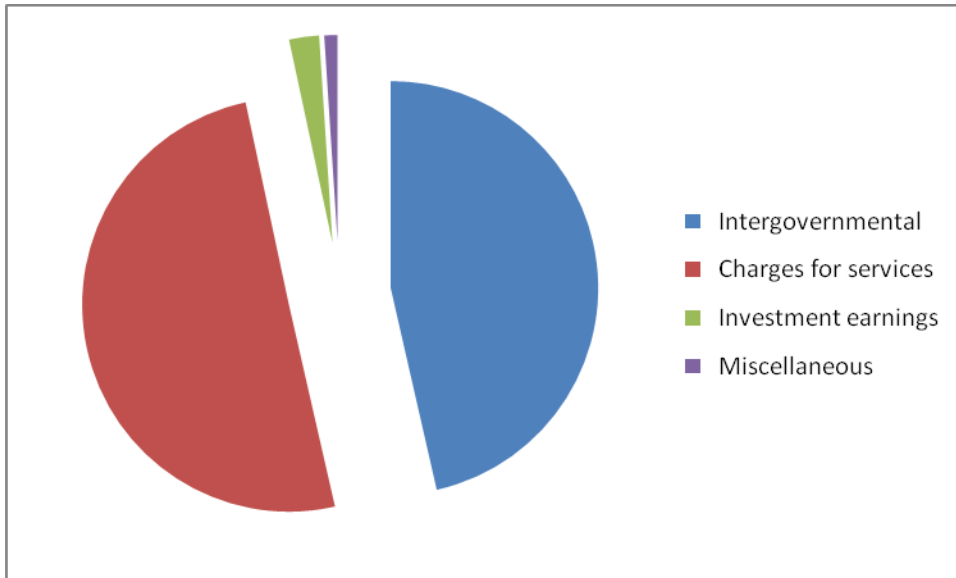
### **The Statement of Net Assets and the Statement of Activities**

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 factors, however, such as changes in Morrison County’s property tax base, the overall financial health of Morrison County residents, and the overall state budget set by the Minnesota Legislator, 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 used to finance most activities, but since unallotment, the SWCD has now had to rely on charges for basic services to cover the expenses that the county or state can no longer cover.



## Reporting the SWCD’s General Fund

### Fund Financial Statements

The fund financial statements begin on page 1 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 changed, increasing from \$272,448 to \$281,852. Looking at the net assets and net expenses of governmental and business-type activities separately, however, the trend that started last year was still going through all of 2009. 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	
	2008	2009
Current and other assets	\$ 536,171	\$ 501,168
Capital assets	\$ 26,060	\$ 24,128
Total assets	<b>\$ 562,231</b>	<b>\$ 525,296</b>
Long-term debt outstanding	\$ 9,845	\$ 13,928
Other liabilities	\$ 279,939	\$ 229,516
Total liabilities	<b>\$ 289,784</b>	<b>\$ 243,444</b>
Net assets		
Invested in capital assets, net of debt	\$ 26,060	\$ 24,128
Restricted		
Unrestricted	\$ 246,388	\$ 257,724
Total net assets	<b>\$ 272,448</b>	<b>\$ 281,852</b>

Net assets of the SWCD governmental activities increased by 3 percent (\$272,488 compared to \$281,852). 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 \$246,388 surplus at December 31, 2008 to a \$257,724 surplus at the end of this year.

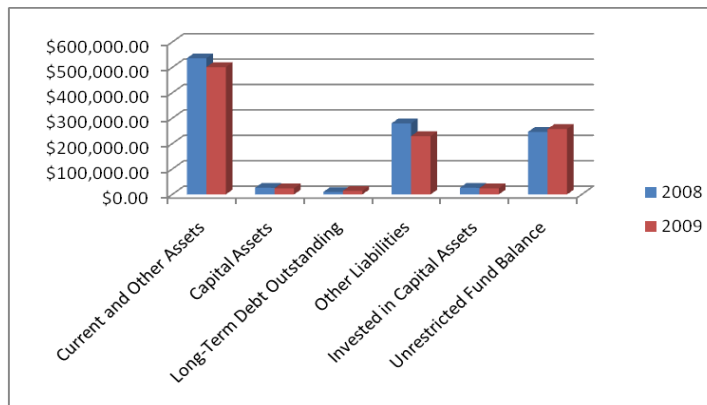


TABLE 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2009</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 297,467	\$ 233,938
Federal grants	\$ 1,426	\$ 4,329
State grants and entitlements	\$ 336,237	\$ 211,996
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Other general revenues	\$ 14,368	\$ 15,679
Total revenues	<b>\$ 649,498</b>	<b>\$ 465,942</b>
<b>Program expenses</b>		
General government		
Conservation	\$ 552,504	\$ 450,522
Total expenses	<b>\$ 552,504</b>	<b>\$ 450,522</b>
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
<b>Increase (decrease) in net assets</b>	\$ 96,994	\$ 15,420

The SWCD's total revenues (excluding special items) decreased by 28 percent (\$183,556). The total cost of all programs and services also decreased by \$101,982, or more or less than 18 percent. In the middle of 2009, the SWCD took over the Local Water Plan from Morrison County, which helped eased the constrains set earlier in the year with a 10% cut in the county allocation.

The SWCD is also the lead agency for the ACUB (Army Compatible Use Buffer). The SWCD will receive 3.75% technical assistance for each completed easement. This amounted to about \$102,581 worth of revenue recognized by the SWCD. This amount is hard to budget due to the timeframe involved with seeing an easement through to completion. The SWCD is projecting that even with the economic down turn this program will see no great funding cuts and will continue providing the SWCD with a major source of revenue in the next year.

### **Governmental Activities**

Revenues for the SWCD governmental activities decreased by \$183,556, while total expenses also decreased by \$101,982. Even with the addition of the Local Water Plan and a decrease in funding

from both the County and the State, the SWCD still noted an increase in net assets for governmental activities of \$9,407 in 2009. This is greatly decreased from a \$97,043 increase in net assets in 2008.

The cost of all governmental activities this year was \$450,522 compared to \$552,504 last year. However, as shown in the Statement of Activities on page 2, the amount that our taxpayers ultimately financed for these activities through the SWCD was only \$233,938 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions (\$216,325). Overall, the SWCD’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2009 from \$635,130 to \$450,263, principally based on a decrease in aid from the County and the BWSR. The SWCD paid for the remaining “public benefit” portion of governmental activities with other revenues, such as interest and miscellaneous forms of revenue.

Table 3 presents the cost of each of the SWCD’s five largest programs—General Cost Share, Feedlot Water Quality Grants, Wetland Conservation Act, ACUB and the Tree Program—as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the SWCD by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2009	2008	2009
Conservation	\$548,900	\$447,276	\$552,455	\$456,535
All others	\$ 3,604	\$ 3,246	\$ 0	\$ 0
<b>Totals</b>	<b><u>\$522,504</u></b>	<b><u>\$450,522</u></b>	<b><u>\$552,455</u></b>	<b><u>\$456,535</u></b>

### THE SWCD’S FUNDS

As the SWCD completed the year, its general fund (as presented in the balance sheet on page 1) reported a combined fund balance of \$271,652 which is above last year’s total of \$256,232. Included in this year’s total change in fund balance, however, is an increase of \$15,420 in the SWCD’s General Fund. The primary reasons for the General Fund’s increase are due in large part to the increase of billable services.

## General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$78,318 below the final budget amounts. The most significant negative variance (\$59,652) occurred in the SWCD's Project Expenditures - State, where dollars were budgeted far below the actual amount spent. This is due in large part to an animal waste project that was not completed by the end of 2009 but is projected to be finished by the beginning of 2010.

The SWCD was able to provide funding and technical assistance to landowners who had problem animal feedlots. There were two contracts completed in all which did not exceed the expectations of the SWCD.

On the other hand, resources available for appropriation were \$94,909 above the final budgeted amount. Three of the Feedlot Water Quality Management Grant applications were funded with existing funds and two were paid, which also increased grant rollover resources available for appropriation to other landowners.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the SWCD had \$24,128 invested in a broad range of capital assets, including vehicles, computer technology and office improvements (See Table 4 below.). This amount represents a net decrease (including additions and deductions) of \$1,932 over last year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, in Thousands)**

	Governmental Activities	
	<u>2008</u>	<u>2008</u>
Land	\$ 0	\$ 0
Buildings and improvements	0	0
Equipment	<u>26,060</u>	<u>24,128</u>
	<u>\$26,060</u>	<u>\$24,128</u>

This year's major additions include:

The SWCD purchased new road signage and 2 new technician computer stations.

The SWCD's fiscal-year 2010 capital budget calls for it to spend \$2,500 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 vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in Note VI to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The SWCD's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget, state aid, county aid, and fees that will be charged for the for the business-type activities. The SWCD will also be watching the budget closely due to the state of the current economy to determine if changes will need to be made. The SWCD has been notified that another 10% cut in the county allocation is a very big possibility for 2010. Another potential source of funding will be by writing conservation plans for landowners who wish to enroll in the Rural Reserves program through the County Assessor's office. The fee schedule will be approved by the SWCD Board of Supervisors in early 2010. The SWCD is also expecting to receive over \$120,000 in ACUB T&A for work that was completed in 2009.

### **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 Morrison Soil and Water Conservation District at 16776 Heron Rd, Little Falls, MN 56345.