

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

This section of the annual financial report of the Redwood Soil and Water Conservation District presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District'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 District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The District's net assets on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance had a slight increase for the 2009 fiscal year. This was due to a decrease in expenditures and an increase in revenue.
- The District's net assets exceeded the liabilities on the Statement of Net Assets and Governmental Fund Balance Sheet.
- The Statement of Net Assets and Governmental Fund Balance Sheet reflect Designated Fund Balances for specific designated items deemed by the District.

USING THIS ANNUAL REPORT

This annual report consists of four main topics: 1) Management's Discussion and Analysis (MDA); 2) Financial Statements; 3) Reconciliation Statements; and 4) Notes to the Financial Statement. These topics are further explained as follows:

Management's Discussion and Analysis (MDA-this section). This section relates mostly to the changes in the District's finances and explains the Governmental Wide-Financial Statements in detail.

► Financial Statements – beginning on page 8:

- The Governmental Wide-Financial Statements are an essential part of the reporting requirements. They include a series of financial statements that provide information about the activities of the District as a whole and present a longer-term view of the 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; and
- The Fund Financial Statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Fund financial statements also report the District's operations.

► Reconciliation Statements – beginning on page 8:

- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements. The Statement of Activities under the "Adjustments" column shows the differences in the two statements; and
- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets explains the differences in these two statements. The Statement of Net Assets under the "Adjustments" column shows the differences in the two statements.

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

- ▶ Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found on pages 16-23.

Since District's are single-purpose special purpose governments, they are generally able to combine the government-wide and fund financial statements into single presentations. The District has elected to present in this format.

Statement of Net Assets and Statement of Activities

Our analysis of the Redwood Soil and Water Conservation District begins with the Statement of Net Assets and the Statement of Activities of which can be found on pages 8 and 9 of this report. One of the most important questions asked about the District's finances is, "Is the District 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 District 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 District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District presents Governmental activities. All of the District's basic services are reported here. Appropriations from the county and state also finance activities.

FUND FINANCIAL STATEMENTS

The Redwood Soil and Water Conservation District presents only a general fund, which is a governmental fund. All of the District'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 funds are 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 District'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 District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Activities and the Statement of Net Assets) and governmental funds through the reconciliation included with the financial statements.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the Financial Statement

The Notes to the Financial Statement provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Stewardship, compliance and accountability; 3) Deposits and Investments; 4) Changes in General Fixed Assets; 5) Deferred Revenue; 6) Compensated Absences Payable; 7) Risk Management; 8) Pension Plan; and 9) Operating Leases.

Statement of Net Assets

The Redwood Soil and Water Conservation District's net assets increased from one year ago. Our analysis below focuses on the net assets (Table 1) of the District's governmental activities.

Table 1

Statement of Net Assets	Governmental Activities	
	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
Current Assets	\$448,877.45	\$596,394.24
Capital Assets Net of Depreciation	<u>\$ 10,721.67</u>	<u>\$ 19,667.50</u>
Total Assets	<u>\$459,599.12</u>	<u>\$616,061.74</u>
Current and Other Liabilities	\$144,297.32	\$318,907.71
Net Assets:		
Invested in Capital Assets	\$ 10,721.67	\$ 19,667.50
Unreserved/Designated	\$ 15,186.66	\$ 15,177.53
Unreserved/Undesignated	\$298,728.66	\$271,374.56
Minus Compensated Absences (Long-Term Liab.)	\$ -9,335.19	\$ -9,065.56
Total Net Assets	<u>\$315,301.80</u>	<u>\$297,154.03</u>
Total liabilities and Net Assets	<u>\$459,599.12</u>	<u>\$616,061.74</u>

The total assets of the Redwood Soil and Water Conservation District's governmental activities decreased by \$156,462.62 from one year ago. Under the Net Assets, the Unreserved/Designated net assets are designated for certain programs specified by the State and/or District. Unreserved/Undesignated net assets are 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. This amount was \$298,728.66 in 2009 and \$271,374.56 in 2008 which reflects an increase of \$27,354.10.

GOVERNMENTAL ACTIVITIES

Table 2 reflects changes in Governmental activities of the Redwood Soil and Water Conservation District. It also reflects some of the District's actual "Charges for Services" and District program changes from 2008 to 2009. Table 2 is on the next page.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 2

Changes in Net Assets	Governmental Activities	
<u>Revenues</u>	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
Local	\$ 0.00	\$ 0.00
County	\$145,874.60	\$140,777.04
State	\$393,162.28	\$262,753.79
Federal	\$ 416.00	\$ 0.00
Interest Earnings	\$ 10,756.10	\$ 13,619.34
Other	\$ 15,922.33	\$ 8,259.43
Charges for Services		
Trees	\$13,055.56	\$ 21,383.58
Tree Planter	\$ 2,088.73	\$ 853.50
Tree Specialty Items	\$ 1,305.75	\$ 1,288.00
Affiliate Memberships/Misc.	\$ 1,260.00	\$ 1,520.00
District Bldg. Fund	\$ 35,000.00	\$ 0.00
Total Revenues	<u>\$618,841.35</u>	<u>\$450,454.68</u>
<u>Expenditures</u>		
Conservation-All Other	\$576,172.76	\$418,252.66
Capital Outlay	\$ 3,998.00	\$ 9,134.51
Charges for Services:		
Trees	\$9,909.44	\$ 9,656.67
Tree Specialty Items	\$ 0.00	\$ 2,435.02
Tree Program Operating Expenses	\$ 752.03	\$ 1,676.25
Affiliate Banquet	\$ 0.00	\$ 802.01
Farmfest Expenses	\$ 646.84	\$ 976.37
Total Expenditures	<u>\$591,479.07</u>	<u>\$442,933.49</u>

The summaries of changes in Net Assets are as follows: Local Funds; The District did not have to cash in any investments to bring into our operating budget for the 2009 fiscal year. State Funds; Our state funds were higher in 2009 than into 2008, as we were the recipient of Clean Water Legacy Funds. Federal Funds; Our federal dollars increased as the federal government required some additional assistance for implementation of their programs. Tree Program; we sold more trees in 2009 than we did in 2008, but tree plantings and specialty items decreased therefore showing a decrease in our tree program income. Our expenses were higher in 2009 than in 2008 due to payment of many of our Clean Water Legacy Grant Contracts. Our revenues were also higher so the outcome was favorable.

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

THE DISTRICT'S FUNDS

As the District completed the year, under the general fund column as presented in the Statement of Net Assets on page 8, we reported a combined fund balance of \$313,915.32 (includes Designated and Undesignated Fund Balances). This amount plus the net of accumulated depreciation (\$10,721.67) and minus the Compensated Absences (\$9,335.19) gives a total of \$315,301.80 under the "Adjustments" column for the Statement of Net Assets. This amount increased by \$18,147.77 from last year's total of \$297,154.03.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2009 fiscal year the District did not do a revised budget.

The most significant negative variance of \$315,050.02 occurred in the District's project expense state and the most significant positive variance of \$301,549.28 occurred in the District's state revenue due to the District's Clean Water Legacy contracts/funding.

The actual charges to appropriations (expenditures) were \$307,050.07 above the final budget amounts, largely due to the increase of state funded projects but less than the actual revenues thus showing a positive variance with the final budget.

Revenue: State Revenue: The District received additional funds from the state for the implementation of projects as the recipient of a second Clean Water Legacy Grant.

Personnel Services: These expenses include employee salaries and benefits. The District's original budget was \$12,004.62 less than the actual amount paid out. The total of \$182,631.38 for personal services was \$11,079.32 higher in 2009 than in 2008.

Project Expenditures: The total of \$354,322.88 spent on projects for fiscal year 2009 was significantly higher than what the District budgeted for. This is largely due to increase in funding through the Clean Water Legacy to implement more conservation practices. Overall the total expenses compared to revenues as reflected in the Budgetary Comparison Statement, has a positive variance.

**REDWOOD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Redwood Soil and Water Conservation District adapted the following schedules and utilizes these schedules to conform to generally accepted accounting principles and remain in compliance with the changes in the year end reporting guidelines, better known as GASB34.

- Budgetary Comparison Schedule; Budget and Actual General Fund
- Statement of Nets Assets and Governmental Fund Balance Sheet
- Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance
- Schedule of General Capital Assets and Changes for fiscal year January 1, 2009 to December 31, 2009

The Schedule of General Capital Assets and the Summary of Changes in General Capital Assets consists of the District's capital assets over the threshold of \$5,000.00. At the end of 2008, the District had \$62,416.76 invested in a number of capital assets, including vehicles; buildings; equipment and machinery (see Table 3). This amount decreased by \$9,995.00 from the previous fiscal year due to the disposal of Water Management Plan equipment. Prior to the implementation of GASB34 the District included all of its assets. It now includes only those fixed assets over the District's threshold.

The District's total revenues increased by \$168,386.67 and the total cost of all programs and services increased by \$139,411.07 from the 2008 fiscal year. The District had a slight decrease in County revenue a generous increase in State Revenue with a small increase in Federal revenue.

There was an decrease in the District's net assets for governmental activities. The total of net assets for the District in 2009 was \$448,877.45. This compares to \$596,394.24 in 2008.

The cost of all governmental activities this year was \$591,479.07 compared to \$441,933.49 last year. The District's governmental program revenues, including intergovernmental aid and fees for services increased from \$450,454.38 in 2008 to \$618,841.35, primarily based on the District acquiring additional funds from the Clean Water Legacy Grant.

Table 3

Capital Assets at Year-end
(Net of Depreciation)

Assets	Governmental Activities	
	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
Buildings	\$ 10,600.00	\$ 10,600.00
Vehicles	\$ 42,682.25	\$ 42,682.25
Equipment/Machinery	<u>\$ 9,134.51</u>	<u>\$ 19,129.51</u>
Total Assets	\$ 62,416.76	\$ 72,411.76
(Net of Depreciation)	\$ 10,721.67	\$ 19,667.50

Long-Term Liabilities

Long-term liability obligations include accrued vacation pay for which employees are paid upon termination from the District by retirement, illness or death. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statement; Summary of Significant Accounting Policies; Vacation and Sick Leave and Compensated Absences Payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials considered many factors when setting the fiscal-year 2009 budget. Some of the economic factors taken into account include: sales of trees and specialty tree items, State funding and the County allocation. Expense factors include building expenses, employer paid benefits and employee salary increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Redwood Soil and Water Conservation District, 1241 E. Bridge Street, Suite C, Redwood Falls, MN 56283 or call 507-637-2427, Ext. 3.