

MANAGEMENT'S DISCUSSION AND ANALYSIS

The CHIPPEWA SOIL AND WATER CONSERVATION DISTRICT'S (SWCD) discussion and analysis provides an overview of the SWCD'S financial activities for the fiscal year ended DECEMBER 31, 2015. 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 2015 YEAR-END FINANCIAL STATEMENTS.

FINANCIAL HIGHLIGHTS

- The District's net assets on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance decreased due to the change in accounting principle.
- The District's 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 Committed or Assigned Fund Balances for specific items deemed by the District.

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 Position and the Statement of Activities 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 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. SWCD has elected to present in this format.

The Statement of Net Position and the Statement of Activities

Our analysis of the SWCD as a whole begins on page 1. 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 Position 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.

In the Statement of Net Position 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 finance most activities.

Reporting the SWCD's General Fund

Fund Financial Statements

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 Position 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 decreased from \$358,414 in 2014 to \$249,053 in 2015. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the SWCD's governmental.

Table 1
Net Assets

	Governmental Activities 2015
Current and other assets	\$634,981
Accounts Receivable	14,741
Capital assets	46,355
Total Assets	\$696,629
Long-term debt outstanding	\$ 24,001
Net Pension Liability	98,468
Accounts Payable	1,576
Unearned Revenue	300,501
Payroll Liabilities	7,008
Total liabilities	\$ 431,554
Net assets	
Invested in capital assets,	\$46,335
Unassigned	\$ 202,718
Total Net Assets	\$ 249,053

Net assets of the SWCD governmental activities **decreased in 2015 to \$249,053 compared to \$358,414 in 2014**. Unassigned 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 surplus of **\$324,948 at the end of 2014 to \$202,718 in 2015**.

TABLE 2
Changes in Net Assets

	Governmental Activities 2015
Revenues	
Program revenues:	
Charges for service	\$ 33,769
County Allocation	102,917
Local	1,470
Federal	6,238
State grants	59,411
General revenues	
Interest	-250
Other General Revenue	27,414
Total Revenues	\$ 230,969
Program expenses	
Personal Services	\$ 166,911
Capital Outlay	20,327
District Expenditures	36,746
State Projects	400
Total expenses	\$ 224,384
Excess of Revenues Over (Under) Expenditures	\$ 6,585

The SWCD's total revenues **increased** from \$194,115 in 2014 to \$230,969. The total cost of all programs and services and personnel expenses **decreased** from \$252,503 in 2014 to \$224,384 in 2015. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

In 2015, Revenues for the SWCD governmental activities **increased** from \$194,115 in 2014 to \$230,969. And, the total expenses decreased from to \$252,503 in 2014 to \$224,384 in 2015. There was an increase in net assets for governmental activities from \$334,623 in 2014 \$341,209 in 2015.

The cost of all governmental activities **decreased from** \$252,503 in 2014 to \$224,384 in 2015. However, the amount funded for these activities through SWCD funding was \$223,984 because of the costs received by those who directly benefited from the programs (\$400), ie State Cost-share contracts.

Overall, in 2015, the SWCD's governmental program revenues **increased from \$194,115 in 2014 to \$230,969.**

THE SWCD's FUNDS

In 2015, as the SWCD completed the year, it reported a combined fund balance of \$341,209 which is above 2014's combined fund balance of \$334,624. Included in this year's total change in fund balance, is \$6,585 in the SWCD's General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Supervisors did not revise the SWCD's budget.

The actual charges to appropriations (expenditures) was less the final budget amounts by \$116. The most significant negative variance \$(52,531) occurred in the SWCD's **charges for services**.

The resources available for appropriations (revenues) exceeded of the expected revenues by \$6469. The SWCD's tree program continues to see a decline in landowners planting trees, due in part, to the competition of land values and commodity prices as well as the cut of funding for farmstead shelterbelts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the SWCD had initially invested \$94,459.76 in a broad range of capital assets, including a tree building, vehicles, tractor, tiller, mower, and seed drill.

Table 3
Capital Assets at Year-end

	<u>Cost</u> <u>2015</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Cost</u> <u>2015</u>
Buildings and improvements	\$ 18,210.00	\$ 9,105.00	\$ 9,096.00
Equipment	\$ 76,249.76	\$ 43,833.50	\$ 33,964.06

The SWCD's fiscal-year 2016 capital budget calls for it to spend another \$50,000 for capital outlay.

Long-Term Liabilities

As noted earlier, the *SWCD* did not previously purchase commercial insurance for property and casualty claims and has no claims and judgments at year-end or in 2015. Other obligations include accrued vacation pay and sick leave. More detailed information about the SWCD's long-term liabilities is presented in Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected officials considered many factors when setting the fiscal-year **2016** budget and fees that will be charged for the SWCD's business-type activities. The SWCD doesn't anticipate any sizable increase/decrease in either their tree sales or fabric sales. We anticipate an increase in seeding and seed sales. The SWCD will continue to fund contracts with the State cost-share program funding. We do anticipate our County's allocation and our State allocation to meet our initial budget request. We anticipate personnel services to remain the same.

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 SWCD's office at 629 N. 11th Street Montevideo, Minnesota 320-269-2139.