

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 2007. 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 \$114,712. Of this amount \$2,368 is reserved for prepaid items and the remaining balance of \$112,344 is considered unreserved, undesignated fund balance.

The Morrison Soil and Water Conservation District was awarded Feedlot Water Quality Grant dollars to be spent in 2008. This was a significant increase to the state revenue that was received in 2007. The total for the Feedlot Water Quality Grant dollars received was \$46,200.

At the end of the year the total net assets of \$127,045 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 nonfinancial factors, however, such as changes in the SWCD's property tax base and the condition of SWCD roads, 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 finance most activities.

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 \$103,940 to \$127,045. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. 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 <u>Activities</u>	
	<u>2006</u>	<u>2007</u>
Current and other assets	\$ 444,240	\$ 608,294
Capital assets	\$ 23,361	\$ 23,472
Total assets	\$ 467,601	\$ 631,766
Long-term debt outstanding	\$ 7,414	\$ 11,140
Other liabilities	\$ 356,247	\$ 493,582
Total liabilities	\$ 363,661	\$ 504,721
Net assets		
Invested in capital assets, net of debt	\$ 23,361	\$ 23,472
Restricted		
Unrestricted	\$ 80,579	\$ 112,344
Total net assets	\$ 103,940	\$ 127,045

Net assets of the SWCD governmental activities increased by 82 percent (\$103,940 compared to \$127,045). 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 \$80,579 surplus at December 31, 2006 to a \$103,573 surplus at the end of this year.

TABLE 2
Changes in Net Assets

	Governmental <u>Activities</u>	
	<u>2006</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for service	\$ 91,186	\$ 108,558
Federal grants		
State grants and entitlements	\$ 375,373	\$ 222,737
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Other general revenues	\$ 19,104	\$ 18,172
Total revenues	\$ 485,663	\$ 349,466

Program expenses		
General government		
Conservation	\$ 465,712	\$ 326,362
Total expenses	\$ 465,712	\$ 326,362
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase (decrease) in net assets	\$ 19,951	\$ 23,105

The SWCD’s total revenues (excluding special items) decreased by 6 percent (\$136,197). The total cost of all programs and services decreased by \$139,350, or more or less than 15 percent with no new programs added this year. Even with this decrease in income, the SWCD covered this year’s costs.

Governmental Activities

Revenues for the SWCD governmental activities decreased by 6 percent (\$136,197), while total expenses decreased just around 15 percent (\$139,350). With the purchase of 2 new computers, the increase in net assets for governmental activities was widened to \$23,105 in 2007. This compares to a \$19,951 increase in net assets in 2006.

The cost of all governmental activities this year was \$322,746 compared to \$462,198 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 \$108,558 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 (\$322,737). Overall, the SWCD’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2007 from \$466,559 to \$331,295, principally based on a decrease in intergovernmental aid. 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 four largest programs—General Cost Share, Feedlot Water Quality Grants, Wetland Conservation Act, 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	
	2006	2007	2006	2007
Conservation	\$187,118	\$100,145	\$39,380	\$25,515
All others	\$275,080	\$222,601	\$(15,915)	\$(8,795)
Totals	<u>\$462,198</u>	<u>\$322,746</u>	<u>\$23,465</u>	<u>\$16,720</u>

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 \$114,712 which is above last year's total of \$87,992. Included in this year's total change in fund balance, however, is an increase of \$26,720 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 \$66,192 below the final budget amounts. The most significant positive variance (\$64,217) occurred in the SWCD's State Project Expenditures, where conservation practice projects were projected to be installed in 2007 but were not completed, resulted in a 46 percent reduction of the total budgeted expenses for 2007.

On the other hand, resources available for appropriation were \$31,249 above the final budgeted amount. Only one of the Feedlot Water Quality Management Grant applications were funded which also increased grant resources available for appropriation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the SWCD had \$23,472 invested in a broad range of capital assets, including vehicles, computer technology and office improvements (See Table 4 below.). This amount represents a net increase (including additions and deductions) of just over \$111.00 over last year.

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

Governmental

	<u>Activities</u>	
	<u>2006</u>	<u>2006</u>
Land	\$ 0	\$ 0
Buildings and improvements	0	0
Equipment	<u>22,361</u>	<u>23,472</u>
	<u>\$23,361</u>	<u>\$23,472</u>

This year's major additions included in thousands etc.:

The SWCD purchased 2 laptop computers.

The SWCD's fiscal-year 2008 capital budget calls for it to spend \$5,000.00 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 2008 budget, state aid, county aid, and fees that will be charged for the for the business-type activities. The SWCD is expecting to again hire a summer intern and has budget for that additional expense as well. Otherwise, a 5 percent across the board increase was set for all expenses.

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.