

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rice SWCD 12/31/08

The Rice SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended 12-31-08. Since this information is designed to focus on the current years' activities, resulting changes, and currently known facts, it should be read in conjunction with the Rice SWCD's financial statements.

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 the activities of the Rice 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 Rice SWCD's operations in more detail than the government-wide statements by providing information about the Rice 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. Rice SWCD 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 Rice SWCD's finances is, "Is the Rice 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 Rice 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 Rice 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.

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

Reporting the Rice SWCD's General Fund

Fund Financial Statements

The fund financial statements provide detailed information about the general fund—not the *Rice SWCD* as a whole. The *Rice SWCD* presents only a general fund, which is a governmental fund. All of the *Rice 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 *Rice 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 *Rice 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 *Rice SWCD* AS A WHOLE

The *Rice SWCD*'s combined net assets were a little lower, decreasing from \$158,827 to \$147,939. In contrast, last year net assets increased slightly by \$17,091. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the *Rice SWCD*'s governmental activities.

Table 1
Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	323,522	306,744
Capital assets	38,319	43,445
Total assets	361,841	350,189
Long-term debt outstanding	28,196	25,353
Other liabilities	185,706	166,010
Total liabilities	213,902	191,362
Net assets		
Invested in capital assets, net of debt	38,319	43,444
Restricted	38,319	43,444
Unrestricted	109,620	115,383
Total net assets	147,939	158,827

Net assets of the *Rice SWCD* governmental activities **decreased** by \$10,888. 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 \$115,383 (**surplus**) at December 31, 2007 to \$109,620 at the end of this year.

This decrease in unrestricted governmental net assets arose primarily because of the following factors:

Two certificates of deposit matured in 2008. The Great Plains Drill was traded in and a new Great Plains Drill was purchased with a \$12,000.00 trade-in value and continues to bring in more revenue (though deferred) than expenses. Personnel services were less than budgeted due to the Farm Bill technician position expiring mid-year. On the expense side, health insurance continues to rise, and we went to a higher deductible plan. MPCA is paying for fewer expenses on their grant. Rice County transferred two truck titles to SWCD and we now are required to pay insurance, licenses, gas and maintenance. NRCS contribution agreements were down this year also.

TABLE 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2008</u>
Revenues		
Program revenues: County	205,845	202,310
Charges for service	52,083	41,736
Federal grants	20,858	3,762
State grants and entitlements	224,011	173,947
General revenues		
Other taxes		
Federal entitlements		
Other general revenues	16,715	17,245
Total revenues	519,513	438,999
Program expenses		
General government		
Conservation		
Total expenses	504,620	441,917
Excess (deficiency) before special items and transfers		
Special items		
Transfers		
Increase in net assets	14,893	(2,918)

The *SWCD*'s total revenues increased by \$ 80,514. The total cost of all programs and services **decreased by \$62,703** with two newer programs continuing this year (Nutrient Management Specialist JPB program and the MPCA Stormwater Technician.) The Farm Bill/Buffer Technician program was discontinued mid-year.

THE Rice *SWCD*'s FUNDS

As the Rice *SWCD* completed the year, its general fund (as presented in the balance sheet) had a combined fund balance of \$137,817, which is **below** last year's total of \$140,735. Included in this year's total change in fund balance is an **decrease** of \$2,918 in the *SWCD*'s General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the Rice *SWCD* had \$38,319 invested in a broad range of capital assets, including **(four calibration scales, nine room dividers, 4 computers, 2 laptops, a new Great Plains NoTill Drill, a 2005 Chevy Silverado pickup, a Ricoh used copy machine, a 1994 GMC pick-up and a 2002 Chevy Pick-up truck.)** (See Table 4 below.) This amount represents a net **decrease** (including additions and deductions) of **\$5,124** over last year.

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

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Land	\$ -0	\$ -0-
Buildings and improvements	-0-	-0-
Equipment	<u>\$38,319</u>	<u>\$43,444</u>

Asset purchases (of more than \$1,000) for 2008 included the following:

Ricoh Used Copy Machine	\$ 2,135.00
1994 GMC Blue P-Up (Transferred from Co.)	\$ 1,500.00 (No longer pay .25/mile)
2002 Chev P-Up Truck (Transferred from Co.)	<u>\$ 5,000.00</u> (No longer pay .25/mile)
Total	\$ 2,135.00

The new Great Plains Drill was purchased 12/31/07 and trade-in value of \$12,000.00 was added in.

Equipment is to be expensed out for the full purchase price in the current year on the Profit and Loss Statement. Depreciation is taken out of the current value on the list of assets starting December 31, 2004. Only purchases greater than \$1,000.00 are depreciated.

CONTACTING THE Rice SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers a general overview of the Rice SWCD's finances and to show the Rice SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rice SWCD at 1810 NW 30th Street – Faribault, MN 55021 or call 507-332-5408.