

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Isanti SWCD's discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2011. 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.

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 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. Isanti 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 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. 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.

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 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 lower, decreasing from \$22,633 to \$19,730. In contrast, last year net assets decreased by \$30,384. Looking at the net assets and net expenses of governmental 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 activities.

Table 1
Net Assets

	Governmental <u>Activities</u>	
	<u>2010</u>	<u>2011</u>
Current and other assets	\$91,820	\$65,782
Capital assets	<u>72,115</u>	<u>\$125,925</u>
Total assets	<u>\$163,935</u>	<u>\$191,707</u>
Long-term debt outstanding	\$56,657	\$123,141
Other liabilities	<u>\$84,645</u>	<u>\$48,836</u>
Total liabilities	<u>\$141,302</u>	<u>\$171,977</u>
Net assets		
Invested in capital assets	\$72,115	\$125,925
Restricted		
Unrestricted	<u>(\$49,482)</u>	<u>(\$106,195)</u>
Total net assets	<u>\$22,633</u>	<u>\$19,730</u>

Net assets of the SWCD governmental activities decreased by 12.8 percent (\$22,633 compared to \$19,730). 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 \$49,482 deficit at December 31, 2010 to a \$106,195 deficit at the end of this year.

TABLE 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for service	\$128,214	\$183,494
Federal grants		
State grants and Intergovernmental Co.	\$81,161	\$153,706
General revenues		
Property taxes		
Other taxes		
Federal entitlements		
Other general revenues	<u>\$11,191</u>	<u>\$8,328</u>
Total revenues	<u>\$220,566</u>	<u>\$345,528</u>
Project expenses		
General government		
Conservation	<u>\$250,950</u>	<u>\$346,100</u>
Total expenses	<u>\$250,950</u>	<u>\$346,100</u>
Excess (deficiency) before special items and transfers	(\$30,384)	(\$2,903)
Special items		
Transfers		
Increase (Decrease) in net assets	<u>(\$30,384)</u>	<u>(\$2,903)</u>

The SWCD's total revenues decreased by 56 percent (\$124,962). The total cost of all projects and services increased by 38 percent (\$95,150) with no new programs added this year.

THE SWCD's FUNDS

As the SWCD completed the year, its general fund as presented in the balance sheet reported a combined fund balance of \$16,946, which is above last year's fund balance of \$7,175.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$151,611 above the budget amounts. The most significant variance occurred in the State spending which was \$88,519 above budget. Also, Capital Outlay was \$80,962 above budget. On the other hand, resources available for appropriation were \$81,507 above the budget amount and loan proceeds were \$82,000 above budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the SWCD had \$125,925 invested in a broad range of capital assets, including the district truck, two tractors, seeding equipment, pole shed, office equipment and miscellaneous items. The amount in table 4 below shows a net increase of \$53,810, this increase is the acquisition of an additional tractor in the amount of \$80,962 less depreciation expense for 2011 in the amount of \$27,151.

Table 4
Capital Assets at Year-end

	<u>Governmental</u> <u>Activities</u>	
	<u>2010</u>	<u>2011</u>
Building	\$ 28,867	\$ 28,867
Equipment	<u>\$148,243</u>	<u>\$229,204</u>
Total Capital Assets	\$177,110	\$258,071
Less Accumulated Depreciation	<u>(104,995)</u>	<u>(132,146)</u>
Net Capital Assets	<u>\$ 72,115</u>	<u>\$125,925</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, they take into consideration the cost increases in product, rent, salaries, and fees, etc. for the new year.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Isanti County and the State of Minnesota 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 Administrative Assistant, Annette Swanson at 763-689-3224 ext. 5.