

# HUBBARD COUNTY SOIL AND WATER CONSERVATION DISTRICT

January 1, 2012 – December 31, 2012

## PERSONNEL

### DISTRICT SUPERVISORS

CHAIR	LYNDEN NELSON
VICE CHAIR 1/1/12 – 10/31/12	BILL CLAUSEN
VICE CHAIR 11/1/12 – 12/31/12	LYNN GOODRICH
SECRETARY	DON RETTINGER
TREASURER	DON SELLS
PR&I	CAROL BERG

### DISTRICT STAFF

DISTRICT MANAGER (former)	MARK SOMMER
DISTRICT MANAGER	JULIE KINGSLEY
ADMINISTRATIVE ASSISTANT	MELISSA KOEBERNICK

### USDA NATURAL RESOURCES CONSERVATION SERVICE

DISTRICT CONSERVATIONIST	DAN PAZDERNIK
DISTRICT CONSERVATIONIST (former)	RICK BERSCHIED
SOIL CONSERVATION TECHNICIAN	ALICIA LATURNUS

### MEETING DATES

The Board of Supervisors meets the second Tuesday of each month at 8:30 am in the Agricultural Service Center, 212 ½ Second Street West, Park Rapids. Meetings are open to the public.

**EEO**-Services and programs of the Hubbard County Soil and Water Conservation District and the Natural Resources Conservation Service are offered on a nondiscriminatory basis without regard to race, color, national origin, religion, sex, age, marital status, or handicap.

## Services Provided by the Hubbard County SWCD

### BWSR Grant Programs

- Conservation Delivery
- Cost-share program to assist landowners in installing conservation practices
- Streambank, Lakeshore, and Roadside erosion
- Reinvest in Minnesota
- Local Water Management Plan
- Wetland Conservation Act

### Special Programs

- Rural Rainfall Monitoring Network
- Tree Program
- AIS Watercraft Inspector Program
- Tullibee Forest Stewardship Program
- Irrigation Uniformity Testing
- Wild Rice Easements

### Education Programs

- Poster Contest (grades 5-6)
- Envirothon (grades 9-12)
- Present at 5<sup>th</sup> Grade Conservation Education Day
- Present at 4<sup>th</sup> Grade Resource Rendezvous
- Presentations upon request

### Local Water Plan Projects

- Abandoned well program
- Nitrate testing clinic
- Evapotranspiration Hotline for irrigation
- 6<sup>th</sup> Grade Freshwater Festival (county-wide)
- Lake and river monitoring
- Lakescaping
- Shoreland Brochures

## Services

- Soil and Water Stewardship materials
- Environmental education materials
- Presentations on conservation topics

## Cooperative Programs

- Giziibii RC&D
- Joint Powers Board
- Natural Resources Conservation Service programs
- DNR Observation Well Program

Website: [www.hubbardswcd.org](http://www.hubbardswcd.org)

## **COOPERATING AGENCIES**

The Hubbard County Soil and Water Conservation District would like to thank each of the following for their support and assistance during the year:

*Area 8 soil and water conservation districts*  
*Area schools*  
*Citizens National Bank*  
*City of Laporte*  
*City of Nevis*  
*City of Park Rapids*  
*Coalition of Lake Associations*  
*Department of Natural Resources*  
*Farm Service Agency*  
*Giziibii Resource Conservation & Development*  
*Hubbard County Auditor*  
*Hubbard County Assessor*  
*Hubbard County Board of Commissioners*  
*Hubbard County Engineer*  
*Hubbard County Environmental Services*  
*Hubbard County Extension Service*  
*Hubbard County Treasurer*  
*Hubbard County Townships Association*  
*Itasca State Park staff*  
*Lake associations*  
*Minnesota Association of Conservation District Employees*  
*Minnesota Association of Soil and Water Conservation Districts*  
*Minnesota Board of Water and Soil Resources*  
*Minnesota Department of Agriculture*  
*Minnesota Pollution Control Agency*  
*Natural Resources Conservation Service*  
*Northern Lights Council BSA, Camp Wilderness*  
*Northwoods Press*  
*North Central Minnesota Joint Powers Board*  
*Northwest Minnesota Foundation*  
*Office of State Climatology*  
*Park Rapids Enterprise*  
*Radio Station KK-FM*  
*Radio Station KPRM*  
*RMB Laboratories*  
*State Bank of Park Rapids*  
*Superstation KK-FM*  
*University of Minnesota Extension*  
*The Review Messenger*  
*U.S. Army Corps of Engineers*

## **HUBBARD COUNTY SOIL AND WATER CONSERVATION DISTRICT**

### **OVERVIEW AND 2012 ACCOMPLISHMENTS AND ACTIVITIES**

#### Mission Statement:

*The purpose of the Hubbard County Soil and Water Conservation District is to help preserve surface and ground water quality, to encourage wise land-use decisions throughout the district, and to foster a secure and prosperous community working together in harmony for the general welfare of the people of the district.*

Hubbard County's population in the year 2010 was 18,861, a jump from 14,939 in 1990. With its 639,000 acres, cropland accounts for 89,500 acres, lake acres total 57,510 (9%), and 65% is forested. There are 313 lakes with 10+ acres. Hubbard County is expected to grow by 65% by the year 2030, thereby creating more demands on its resources.

The Hubbard County SWCD District Manager administers district programs and coordinates the Local Water Management Plan and the Wetland Conservation Act. In 2012, the Hubbard County SWCD directed its efforts to preserving the county's natural resources through the following projects and programs:

**LOCAL WATER PLAN MANAGEMENT** – The District coordinates activities for the Local Water Plan in Hubbard County.

In 2012 projects included:

- **Evapotranspiration Hotline**—providing daily crop water use estimations for corn, dry beans and turf through a recorded message that is updated every morning. The hotline was in operation from June 1-September 21;
- **Shoreland Guide**—created a guide for Shoreland owners to provide basic information to be good lake stewards;
- **Freshwater Festival** for approximately 300 sixth graders in the county was held on May 9 at Camp Wilderness, BSA, near Emmaville, MN;
- **Nitrate Testing Clinic**--held in July with 250 samples tested. Of the samples tested, 14% were over 10 ppm of nitrates, 1 was 32 ppm.

**EDUCATION** – In May two staff persons from the SWCD and NRCS were presenters at **5<sup>th</sup> Grade Education Day** held at Itasca State Park.

The **Envirothon** is a yearly event held at Lake Bemidji State Park in April for high school students in Area 8. Staff persons from these SWCDs organize the event. Volunteers from several agencies presented information at five stations that included forestry, soils, current events, aquatics and wildlife. In addition, each team gave an oral presentation that was judged and graded. The three teams with the highest score from all categories participate in the state competition.

NRCS personnel gave several presentations at the Park Rapids *school forest* throughout the year.

A *poster contest* was held for all fifth and sixth grade students in the county. Presentations were given to fifth grade classes on the theme “Trees—Rooted in our Future.” The board of supervisors selected three winning posters to receive cash prizes; those posters were also entered into area competition.

Through the Local Water Plan, District staff planned the local *Freshwater Festival* for sixth graders in the county that included students from Nevis and Park Rapids. Also participating were students from St. Philip’s School in Bemidji (Beltrami County) and from Walker-Hackensack-Akeley school in Walker (Cass County). Several citizen volunteers from lake associations assist in this yearly event which hosts approximately 310 students and teachers. Presenters at the learning stations included personnel from MN Department of Health, MN DNR, NRCS, SWCD, and local experts.

Presentations on wetlands were given to five sections of *4<sup>th</sup> grade* students at the Park Rapids Century School for their “Resource Rendezvous.”

In July, NRCS along with the District set up a display at the *county fair* of projects and programs they administer and provided various educational hand-out materials.

**WETLAND PRESERVATION/WETLAND CONSERVATION ACT** – Hubbard County is experiencing a high rate of residential development adjacent to lakes and wetlands. There has been a reduction in wetland acreage and in their associated functions and public values.

The Hubbard County SWCD continued coordinating the Wetland Conservation Act (WCA) program for Hubbard County. A fee has been implemented that includes costs for application approval for replacement plans, after-the-fact replacement application approval, and wetland banking approval.

**COMMUNICATIONS** – The District publishes a biannual newsletter and submits news articles as needed.

The district website at [www.hubbardswcd.org](http://www.hubbardswcd.org) continues to be updated regularly and has information on all district programs and projects, as well as other information.

**OTHER DISTRICT PROGRAMS** – The District conducts many programs that have been on-going for several years:

- The *Rural Rainfall Program* has a network of 18 landowners throughout the county who measure rainfall/snowfall and report to the District on a monthly basis. Data is recorded at the District office and then reports are sent to the Office of State Climatology.

- The **Observation Well Monitoring Program** began in the 1970s. Thirty wells around the county are monitored for static water levels ten times a year, and data is reported on-line to the Observation Well Manager at DNR – Division of Waters, in St. Paul.
- The **District Tree Program** began in the late 1970s to fulfill a need for getting conservation trees planted on the land. Approximately 13,000 trees were sold in 2012. The District does not have a tree planting program. The District also sells a deer/rabbit repellent, Plantskydd®, along with tree tubes, tree mats, and flags.
- The **AIS Watercraft Inspector Program** started this spring to do everything possible to eliminate all opportunities and pathways for the spread of AIS to Hubbard County lakes. We inspected over 7,100 watercraft this summer. We inspected watercraft that came from 22 different Minnesota zebra mussel infested bodies of water and watercraft from 21 states with zebra mussel infestations.
- The **Wild Rice Easement Program** began from a need to protect some of the most important habitat for wetland-dependent wildlife species in Minnesota. Hubbard County's eligible Wild Rice lakes are 1<sup>st</sup> and 4<sup>th</sup> Crow Wing, Spring Lake, Upper Mud Lake and Crow Wing Lake. In 2012, there were three Wild Rice Easements in Hubbard County that protected approximately 167 acres.

**COST-SHARE** - The District receives grant money yearly from the Board of Water and Soil Resources for projects administered through the State Cost-Share Program. In 2012, 1 public access erosion project, 1 unused well sealing, 1 rain garden and 4 lakeshore erosion projects were completed with FY2011 and 2012 funds.

**PARTNERSHIPS** – The District works closely with lake associations, Hubbard County Environmental Services and other county offices, and state agencies such as the Board of Water and Soil Resources, Department of Natural Resources, Minnesota Pollution Control Agency, Minnesota Department of Agriculture and Minnesota Department of Health; and Natural Resources Conservation Service.

A supervisor from the Board attends meetings of the Joint Powers Board, Local Water Plan, Mississippi Headwaters Board and Giziibii RC&D. A county commissioner attends soil and water district board meetings.

SOIL AND WATER CONSERVATION DISTRICT  
PARK RAPIDS, MN

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$148,649		\$148,649
Accounts receivable	155		155
Due from other governments			0
Prepaid items	12,141		12,141
Capital Assets:			
Equipment (net of accumulated depreciation)		0	0
<b>Total Assets</b>	<b>\$160,945</b>	<b>\$0</b>	<b>\$160,945</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$986		\$986
Salaries payable	1,608		1,608
Sales Tax Payable	230		230
Tree Deposits	2,008		2,008
Deferred revenue	69,042		69,042
Long-term liabilities:			0
Due within one year - to Other Government	2,822	0	2,822
Due after one year		1,089	1,089
<b>Total Liabilities</b>	<b>\$76,696</b>	<b>\$1,089</b>	<b>\$77,785</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$12,141	(\$12,141)	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	72,108	(72,108)	0
<b>Total Fund Balance</b>	<b>\$84,249</b>	<b>(\$84,249)</b>	<b>\$0</b>
Net Assets			
Invested in capital assets		\$0	\$0
Unassigned		83,160	83,160
<b>Total Net Assets</b>		<b>\$83,160</b>	<b>\$83,160</b>

Notes are an integral part of the basic financial statements.



SOIL AND WATER CONSERVATION DISTRICT  
PARK RAPIDS, MN

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$122,684	\$0	\$122,684
Charges for services	108,647	0	108,647
Investment earnings	640	0	640
Miscellaneous	4,289	0	4,289
<b>Total Revenues</b>	<b><u>\$236,260</u></b>	<b><u>\$0</u></b>	<b><u>\$236,260</u></b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$211,225	\$221	\$211,446
Capital outlay	0	0	0
<b>Total Expenditures/Expenses</b>	<b><u>\$211,225</u></b>	<b><u>\$221</u></b>	<b><u>\$211,446</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures/Expenses</b>	<b>\$25,035</b>	<b>(\$221)</b>	<b>\$24,814</b>
<b>Fund Balance/Net Assets January 1</b>	<b><u>59,214</u></b>	<b><u>(868)</u></b>	<b><u>58,346</u></b>
<b>Fund Balance/Net Assets December 31</b>	<b><u><u>\$84,249</u></u></b>	<b><u><u>(\$1,089)</u></u></b>	<b><u><u>\$83,160</u></u></b>

Notes are an integral part of the basic financial statements.

SOIL AND WATER CONSERVATION DISTRICT  
PARK RAPIDS, MN

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$65,044	\$65,044	\$74,405	\$9,361
Local	8,000	8,000	3,589	(4,411)
Federal	0	0	0	0
State grant	25,776	25,776	44,691	18,915
<b>Total intergovernmental</b>	<b>\$98,820</b>	<b>\$98,820</b>	<b>\$122,684</b>	<b>\$23,864</b>
<b>Charges for services</b>	<b>\$21,450</b>	<b>\$21,450</b>	<b>\$108,647</b>	<b>\$87,197</b>
<b>Miscellaneous</b>				
Interest earnings	\$500	\$500	\$640	\$140
Other	1,200	1,200	4,289	3,089
<b>Total miscellaneous</b>	<b>\$1,700</b>	<b>\$1,700</b>	<b>\$4,929</b>	<b>\$3,229</b>
<b>Total Revenues</b>	<b>\$121,970</b>	<b>\$121,970</b>	<b>\$236,260</b>	<b>\$114,290</b>
<b>Expenditures</b>				
<b>District operations</b>				
Personnel services	\$69,700	\$69,700	\$138,792	(\$69,092)
Other services and charges	25,880	25,880	30,317	(4,437)
Supplies	5,000	5,000	3,940	1,060
Cost of Goods Sold	9,000	9,000	11,750	(2,750)
<b>Total district operations</b>	<b>\$109,580</b>	<b>\$109,580</b>	<b>\$184,799</b>	<b>(\$75,219)</b>
<b>Project expenditures</b>				
District	\$6,000	\$6,000	\$6,172	(\$172)
State	6,390	6,390	20,253	(13,863)
<b>Total project expenditures</b>	<b>\$12,390</b>	<b>\$12,390</b>	<b>\$26,425</b>	<b>(\$14,035)</b>
<b>Total Expenditures</b>	<b>\$121,970</b>	<b>\$121,970</b>	<b>\$211,225</b>	<b>(\$89,255)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,035</b>	<b>\$25,035</b>
<b>Fund Balance - January 1</b>	<b>\$59,214</b>	<b>\$59,214</b>	<b>\$59,214</b>	<b>\$59,214</b>
<b>Fund Balance - December 31</b>	<b>\$59,214</b>	<b>\$59,214</b>	<b>\$84,249</b>	<b>\$84,249</b>

Notes are an integral part of the basic financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial reporting policies of the Hubbard County Soil and Water Conservation District (District) conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

**A. Financial Reporting Entity**

The district is organized under the provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Hubbard County Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan that is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Hubbard County because, even though the County provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

**B. Basis of Presentation - Fund Accounting**

The accounts of the Hubbard County Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

#### D. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

#### E. Assets, Liabilities, and Equity Accounts

##### 1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

##### 2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

##### 3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Nonspendable fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

Unrestrictive, committed or assigned account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unrestricted, unassigned fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Assets and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount report in Note IV.

2. Long-Term liabilities: In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.

3. Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 80 to 160 hours per year with 160 hours allowed to carry over. Sick leave accrual is 1 hour per every 20 hours worked. The limit on sick leave is 680 hours. Upon termination of employment from the District, employees are paid accrued vacation leave and one-half of all accrued sick leave up to 200 hours.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

N/A

B. Excess of Expenditures Over Budget

N/A

C. Uncollateralized deposits

During 2012, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

### III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2012, the District's deposits totaled \$254,782, of which \$254,328 were cash deposits and \$454 were invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2012, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

### IV. CHANGES IN CAPITAL ASSETS

#### Equipment

Balance January 1, 2012	\$ 0
Additions	\$ 0
Deletions	\$ 0
2012 depreciation	\$ 0
Balance December 31, 2012	\$ 0

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$ 0 as of December 31, 2012.

The District uses a threshold of \$500 for capitalizing assets purchased. Those physical assets under \$500 are expensed directly and not capitalized.

### V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Hubbard County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$ 69,222.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2012 are:

Balance January 1, 2012	\$ 868
Net Changes in Compensated Absences	\$ 221
Balance December 31, 2012	\$1,089

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.



B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2012, 2011, and 2010 were \$4,371, \$3,332, and \$3,647 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2012 were \$6,380.

**BREAKDOWN OF COUNTY REVENUE  
2012**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$ 22,000.00
WATER PLAN MONEY	\$ 28,588.00
WETLAND MONEY	\$ 23,817.00
FEEDLOT MONEY	\$
ABANDONED WELL	\$
DNR SHORELAND	\$
OTHER (specify)	\$
TOTAL	<u>\$ 74,405.00</u>

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule."

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

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Capital Assets 2012

Class	Asset	Expenditure Function	Purchased/ Constructed	Useful Life	Threshold Adjustmt.	Adjusted Balance	Additions	Deletions	Ending	Beginning	2012	Ending
									Balance	Accumulated Depreciation	Depreciation	Accumulated Depreciation
Land						0			0	0	0	0
Buildings						0			0	0	0	0
Equipment, furniture and vehicles												
Chairs	Conservation		1985	10		1,170			1,170	1,170	0	1,170
CD writer	Conservation		1998	5		586			586	586	0	586
Ford pickup	Conservation		1999	5		20,435			20,435	20,435	0	20,435
Enviroscape	Conservation		2001	10		783			783	783	0	783
Hydrolab	Conservation		2007	5		5,524			5,524	5,524	0	5,524
Total equipment, furniture, vehicles					0	28,498	0	0	28,498	28,498	0	28,498
Total Capital Assets					0	28,498	0	0	28,498	28,498	0	28,498

\* Asset retired and donated

** Asset retired and/or recycled	January 1	December 31	Beginning	Addition	Deletion	Ending	
Capital Assets	28,498	28,498	28,498	0	0	28,498	Equipment
Accumulated Depreciation	<u>-28,498</u>	<u>-28,498</u>	<u>-28,498</u>	<u>0</u>	<u>0</u>	<u>-28,498</u>	Less Accum. Depr.
Net book value	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	Net Capital Assets

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Hubbard County Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. 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 "Notes to the Financial Statement" and the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

The Hubbard County SWCD continues to administer the Hubbard County Local Water Management Plan and the Wetland Conservation Act.

The District Manager administers the Local Water Plan and the Wetland Conservation Act.

### **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 District as a whole and present a longer-term view of the District's finances. Fund financial statements for governmental activities tell how these services were financed in the short term as well as what remains for future spending. 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. Since soil and water conservation districts 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.

### **The Statement of Net Assets and the Statement of Activities**

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 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. However, you will need to consider other non-financial factors, such as changes in the condition of equipment, 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, local water plan and Wetland Conservation Act administration, and the State finance most activities. Charges for services contribute about 45 percent of revenues.

## Reporting the District's General Fund

### Fund Financial Statements

The fund financial statements provide detailed information about the general fund, not the District as a whole. The 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 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 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 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 DISTRICT AS A WHOLE

Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

#### Net Assets

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current Assets	\$ 160,945	\$122,572
Capital Assets, net of depreciation	<u>-0-</u>	<u>- 0 -</u>
Total Assets	<u>\$160,945</u>	<u>\$122,572</u>
Liabilities, deferred revenue	\$ 76,696	\$ 63,358
Long term liabilities	<u>1,089</u>	<u>868</u>
Total Liabilities	<u>\$ 77,785</u>	<u>\$ 64,226</u>
Total Net Assets	<u>\$ 83,160</u>	<u>\$ 58,346</u>

Net assets of the district governmental activities increased by \$24,814. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, changed from \$58,346 at December 31, 2011 to \$83,160 at the end of this year.

## The District's Statement of Activities and Changes in Fund Balance

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues		
Intergovernmental	\$122,684	\$115,571
Charges for services	108,647	30,351
Investment earnings	640	1,199
Miscellaneous	<u>4,289</u>	<u>3,241</u>
Total Revenues	<u>\$236,260</u>	<u>\$150,362</u>
Expenses		
Conservation	<u>\$211,446</u>	<u>\$145,840</u>
Increase (decrease) in net assets	<u>\$ 24,814</u>	<u>\$ 4,522</u>

The District's total revenues increased by \$85,898 and the total cost of programs and services increased by \$65,606.

Deferred revenue of \$69,042 was higher than the carryover from 2011 of \$53,502. This will help with expenses in 2013 and there was an increase in net assets for 2012. The increase in charges for services came from a new program administered by the District. The District had unencumbered state cost-share funds from FY2012 of \$4899 and FY2013 of \$ 10,089.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### Capital Assets

At the end of 2012, the District's capital assets were \$0; all assets have been fully depreciated.

#### Long-Term Liabilities

The only long-term liabilities the District has are accrued vacation pay and sick leave. More detailed information about the type of liability is presented in the Notes to the Financial Statements, page 16 in the Annual Report. At the beginning of 2012 the District's compensated absences payable were \$868 and at the end of the year that balance increased to \$1089.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's elected officials considered several factors when setting the 2013 budget. Revenue from Hubbard County should remain steady with the District Manager coordinating both the Wetland Conservation Act, the Local Water Plan and will still administer the new program started last year. Also, the District has applied for a grant for a new project and is involved in three other grants for intensive watershed projects.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our landowners, taxpayers, governmental agencies and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Hubbard County Soil and Water Conservation District at 212 ½ 2<sup>nd</sup> Street West, Park Rapids, MN 56470 or call 218-732-0121.