

Hubbard County Soil and Water Conservation District

2016 Annual Report



Photo by Alissa B.

Hubbard County Soil and Water Conservation District

2016 Annual Report

TABLE OF CONTENTS

Section 1: 2016 ANNUAL REPORT	Page
Personnel	1
Services Provided	2
Cooperating Agencies	4
Overview and 2016 Accomplishments and Activities	5
Section 2: BASIC FINANCIAL STATEMENTS	Page
Management's Discussion and Analysis	1
Statement of Net Position and Governmental Fund Balance Sheet Statement of Activities and Governmental Fund Revenues,	5
Expenditures and Changes in Fund Balance Budgetary Comparison Statement, Budget and Actual,	6
General Fund	7
Notes to the Financial Statements	8
ADDITIONAL REPORTS	
Breakdown of County Revenue	16
Unearned Revenue Breakdown	17
Fixed Asset Review	18

HUBBARD COUNTY SOIL AND WATER CONSERVATION DISTRICT

January 1, 2016 – December 31, 2016

PERSONNEL

DISTRICT SUPERVISORS

CHAIR	BOB ILES
VICE CHAIR	LYNN GOODRICH
SECRETARY	RUTH GRANDY (thru 11/9/16)
TREASURER	DON SELLS
PR&I	DON RETTINGER

DISTRICT STAFF

DISTRICT MANAGER	JULIE KINGSLEY
ADMINISTRATIVE ASSISTANT	ANNETTE OLSON
WATER QUALITY/RESOURCE SPECIALIST	JAMIN CARLSON

USDA NATURAL RESOURCES CONSERVATION SERVICE

DISTRICT CONSERVATIONIST	DAN PAZDERNIK
SOIL CONSERVATION TECHNICIAN	ALICIA LATURNUS

MEETING DATES

The Board of Supervisors meets the second Wednesday of each month at 8:30 am in the Agricultural Service Center, 603 Central Avenue N, Suite 100, 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
- Community Partner's Grant
- Ditch Inventory
- Tullibee Forest Stewardship Program
- Wild Rice Easements

Special Programs

- Rural Rainfall Monitoring Network
- Tree Program
- AIS Watercraft Inspector Program

Education Programs

- Envirothon (grades 6-12)
- Present at 5th Grade Conservation Education Day
- Present at 4th Grade Resource Rendezvous
- Presentations upon request

Local Water Plan Projects

- Abandoned well program
- Nitrate testing clinic
- 6th Grade Freshwater Festival (county-wide)
- Lake and river monitoring
- Shoreland Brochures
- Grazing Workshop

Services

- Soil and Water Stewardship materials
- Environmental education materials
- Presentations on conservation topics
- Offered Irrigation Uniformity Testing
- Monthly Office Nitrate Testing

Cooperative Programs

- Joint Powers Board Area 8 Engineer
- TSA BIS Forestry
- Natural Resources Conservation Service programs
- DNR Observation Well Program

Website: 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
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
Northview Bank
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

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 2016 ACCOMPLISHMENTS AND ACTIVITIES

Mission Statement:

The purpose of the Hubbard County Soil and Water Conservation District is to provide leadership, education, technical advice, financial assistance to landowners, cooperating agencies for various programs and projects with the goal being the whole community working together in harmony to pursue the sustainable management, wise-use, and protection of the district's soil, water, forests, wildlife, and recreational resources.

Hubbard County's population in the year 2010 was 20,428*, 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 2016, 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 2016 projects included:

- **Geologic Atlas**—locating well records in the County and providing that data to the University of Minnesota where they will develop geologic maps based on the data collected from the well drillers;
- **Lake Water Monitoring**—monitor water quality of 24 area lakes;
- **Freshwater Festival** for approximately 300 sixth graders in the county was held on May 18 at Camp Wilderness, BSA, near Emmaville, MN;
- **Nitrate Testing Clinic**—Free Nitrate testing clinics are held the first Friday of every month at our office and Thursday – Friday at the County Fair.

EDUCATION – In May, staff persons from the NRCS were presenters at **5th Grade Education Day** held at Itasca State Park.

The **Envirothon** is a yearly event held at Lake Bemidji State Park in May for high school and junior high 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.

* www.census.gov

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

Through the Local Water Plan, District staff planned the local *Freshwater Festival* for sixth graders in the county that included students from Nevis, Laporte and Park Rapids. Also participating were students from St. Philip's School in Bemidji (Beltrami County) and from Menahga School in Menahga (Wadena County). Citizen volunteers from lake associations assist in this yearly event which hosts approximately 300 students and teachers. Presenters at the learning stations included personnel from MN Department of Health, MN DNR, NRCS, SWCD, Tom Gibson, Environmental Educator, Headwaters Science Center and local experts.

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. Fees may incur 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.

A new user friendly website at www.hubbardswcd.org has been created and 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 17 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. Forty-two wells around the county are monitored for static water levels four 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 11,625 trees were sold in 2016. The District also sells a deer/rabbit repellent, Plantskydd®, along with tree tubes, tree mats, and flags.

- The ***Hubbard County AIS Watercraft Inspector Program*** was transferred May of 2016 to the Hubbard County Environmental Services.
- 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 1st and 4th Crow Wing, Spring Lake, Upper Mud Lake and Crow Wing Lake. In 2016, there were two Wild Rice Easements. Hubbard County SWCD has five Wild Rice Easements that protected approximately 208.9 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.

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 SWCD Board attends meetings of the Joint Powers Board, Local Water Plan, Mississippi Headwaters Board and SWCD Area Forestry Association. A county commissioner attends soil and water district board meetings.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Hubbard County Soil & Water Conservation District
DECEMBER 31, 2016

The Hubbard County Soil & Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. 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 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 Position 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. For governmental activities, financial statements tell how 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 general fund. Since Districts are single-purpose, special-purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

The Statement of Net Position 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 Position 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 the 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 position and changes in them. You can think of the District's net position — 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 position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from the county and state finance most activities.

Reporting the District's General Fund

Our analysis of the District's general fund is part of this report. 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 the fund 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 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 DISTRICT AS A WHOLE

Our analysis focuses on the net position and change in net position of the District's governmental activities.

Net Position:

	Governmental Activities	
	2016	2015
Current Assets	\$ 279,018	\$ 211,742
Capital Assets, net of depreciation	13,777	33,195
Deferred Outflows of Resources	46,970	12,889
Combined Assets and Deferred Outflows of Resources	<u>\$ 339,765</u>	<u>\$ 257,826</u>
Current Liabilities	\$ 209,096	\$ 112,797
Long-Term Liabilities	144,658	99,789
Deferred Inflows of Resources	12,139	4,703
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 365,893</u>	<u>\$ 217,289</u>
Investments in Capital Assets	\$ 13,777	\$ 33,195
Unrestricted	(39,905)	7,342
Total Net Position	<u>\$ (26,128)</u>	<u>\$ 40,537</u>

Net position of the District's governmental activities decreased by \$66,666. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$7,342 at December 31, 2015 to (\$39,905) at the December 31, 2016.

Change in Net Position:

	Governmental Activities	
	2016	2015
Revenues		
Intergovernmental	\$ 272,038	\$ 458,108
Charges for Services	39,516	120,084
Investment Earnings	424	406
Miscellaneous	2,340	8,919
Total Revenues	<u>\$ 314,318</u>	<u>\$ 587,517</u>
Expenditures		
Conservation	\$ 380,984	\$ 595,164
Total Expenditures	<u>\$ 380,984</u>	<u>\$ 595,164</u>
Decrease in Net Position	<u>\$ (66,666)</u>	<u>\$ (7,647)</u>

The District's total revenues decreased by \$273,199. The total cost of programs and services decreased by \$214,180.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund as presented in the balance sheet reported a combined fund balance of \$69,922, which is below last year's total of \$98,945.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$3,484 above the final budgeted amounts. The most significant negative variance of \$20,826 occurred in District Operations-Other Services and Charges. The most significant positive variance of \$20,836 occurred in Project Expenditures-State.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2016, the District had \$13,777 invested in capital assets. This amount represents a net decrease of \$ 19,421 from last year. The difference includes an additional lap top and desk top tower. Deletions include Nexes Tablets and 2 Decontamination Units that were purchased with AIS funding and handed on to the Environmental Services Office (ESO) when they took over the AIS Program. (see the Capital Assets Spreadsheet on page 18 of this report)

Long-Term Liabilities

At the end of 2016, the District had \$6,626 in accrued compensated absences and \$138,032 in Net Pension Liability. This compares to \$6,504 in 2015 for accrued compensated absences and \$93,285 for Net Pension Liability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hubbard County Soil & Water Conservation District at 603 Central Avenue N, Suite 100, Park Rapids, MN 56470. The phone number is 218-732-0121.

HUBBARD SOILD AND WATER CONSERVATION DISTRICT
PARK RAPIDS, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and investments	\$238,430		\$238,430
Accounts receivable	28,370		28,370
Due from other governments	0		0
Inventory	11,686		11,686
Prepaid items	532		532
Capital Assets:			
Equipment (net of accumulated depreciation)		13,777	13,777
Total Assets	\$279,018	\$13,777	\$292,795
Deferred Outflows of Resources			
Defined Benefit Pension Plan	0	46,970	46,970
Combined Assets and Deferred Outflows of Resources	\$279,018	\$60,747	\$339,765
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$17,939		\$17,939
Salaries payable	4,522		4,522
Donations payable	300		300
Tree deposits	5,310		5,310
Unearned revenue	181,026		181,026
Long-term liabilities:			
Net Pension Liability		138,032	138,032
Compensated Absences		6,626	6,626
Total Liabilities	\$209,096	\$144,658	\$353,754
Deferred Inflows of Resources			
Defined Benefit Pension Plan	0	12,139	12,139
Combined Liabilities and Deferred Inflows of Resources	\$209,096	\$156,797	\$365,893
<u>Fund Balance/Net Position</u>			
Fund Balance			
Nonspendable (Prepays, Inventories)	\$12,218	(\$12,218)	\$0
Assigned - Compensated Absences	6,626	(6,626)	0
Unassigned	51,078	(51,078)	0
Total Fund Balance	\$69,922	(\$69,922)	\$0
Net Position			
Investments in capital assets		\$13,777	\$13,777
Unrestricted		(39,905)	(39,905)
Total Net Position		(\$26,128)	(\$26,128)

Notes are an integral part of the basic financial statements.

HUBBARD SOILD AND WATER CONSERVATION DISTRICT
 PARK RAPIDS, MINNESOTA

STATEMENT OF ACTIVITIES AND
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$272,038	\$0	\$272,038
Charges for services	39,516	0	39,516
Investment earnings	424	0	424
Miscellaneous	2,340	0	2,340
Total Revenues	\$314,318	\$0	\$314,318
Expenditures/Expenses			
Conservation			
Current	\$341,274	39,710	\$380,984
Capital outlay	2,068	(2,068)	0
Total Expenditures/Expenses	\$343,342	\$37,642	\$380,984
Excess of Revenues Over (Under)			
Expenditures/Expenses	(\$29,024)	(\$37,642)	(\$66,666)
Fund Balance/Net Position January 1	98,945	(58,408)	40,537
Fund Balance/Net Position December 31	\$69,921	(\$96,050)	(\$26,129)

Notes are an integral part of the basic financial statements.

HUBBARD SOILD AND WATER CONSERVATION DISTRICT
PARK RAPIDS, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$71,104	\$71,104	\$73,822	\$2,718
Local	2,000	2,000	2,300	300
Federal	0	0	0	0
State grant	199,374	199,374	195,916	(3,458)
Total intergovernmental	\$272,478	\$272,478	\$272,038	(\$440)
Charges for services	\$65,780	\$65,780	\$39,516	(\$26,264)
Miscellaneous				
Interest earnings	\$400	\$400	\$424	\$24
Other	1,200	1,200	2,340	1,140
Total miscellaneous	\$1,600	\$1,600	\$2,764	\$1,164
Total Revenues	\$339,858	\$339,858	\$314,318	(\$25,540)
Expenditures				
District operations				
Personnel services	\$142,365	\$142,365	\$146,010	(\$3,645)
Other services and charges	37,200	37,200	58,026	(20,826)
Cost of Goods Sold	0	0	12,216	(12,216)
Supplies	2,500	2,500	2,852	(352)
Capital outlay	0	2,556	2,068	488
Total district operations	\$182,065	\$184,621	\$221,172	(\$36,551)
Project expenditures				
District	\$34,456	\$31,900	\$19,669	\$12,231
State	123,337	123,337	102,501	20,836
Total project expenditures	\$157,793	\$155,237	\$122,170	\$33,067
Total Expenditures	\$339,858	\$339,858	\$343,342	(\$3,484)
Excess of Revenues Over (Under)				
Expenditures	\$0	\$0	(\$29,024)	(\$29,024)
Fund Balance - January 1	\$106,388	\$106,388	\$98,945	\$0
Fund Balance - December 31	\$106,388	\$106,388	\$69,921	(\$29,024)

Notes are an integral part of the basic financial statements.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Hubbard Soil and Water Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards District (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

The Hubbard Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District 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 District provides technical and financial assistance to individuals, groups, Districts, 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 which 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.

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.

Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Position and The Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

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.

Investment earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

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

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 District approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

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.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to net position.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Investments in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Non-spendable – the non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District. Those committed amounts cannot be used for any other purposes unless the District removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District or the District Administrator who has been delegated that authority by District resolution.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Explanation of Adjustments Column in Statements

Capital Assets: In the Statement of Net Position 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 reported in the Capital Assets Note.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absences and Net Pension Liability the District has as of the report date. See note on Long-Term Liabilities.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Depreciation, Net Pension Expense 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 net pension expense and the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

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 3.08 to 6.15 hours per two weeks. Sick leave accrual is 1 hour per 20 hours worked. The limit on the accumulation of vacation leave is 160 hours and there is no the limit on the accumulation of sick leave hours. Upon termination of employment from the District, employees are paid accrued vacation leave and up to one half of accrued sick leave hours, not to exceed 21 days.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 - Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$56,979	\$2,068	\$20,098	\$38,949
Less: Accumulated Depreciation	<u>23,784</u>	21,486	20,098	<u>25,172</u>
Net Capital Assets	<u>\$33,195</u>			<u>\$13,777</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment. Current year depreciation is \$21,486. This amount includes items written off due to disposal and items handed off to Environmental Services Office (ESO) for AIS duties we no longer do.

The District uses the threshold of \$500 for capitalizing assets purchased.

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2016, consists of the following: BWSR Service Grants (Conservation Delivery and RIM grants) \$17,408; BWSR Buffer Law, 16,304; BWSR Cost Share Programs, \$14,629; BWSR Community Partners, 29,776; BWSR Tullibee Cost Share, 10,000; Clean Water Funds, \$7,876; Local Capacity, 67,233; BWSR WCA, \$17,800; Total, \$181,026.

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2016 are:

Balance January 1, 2016	\$6,504
Net Change in Compensated Absences	<u>122</u>
Balance December 31, 2016	<u>\$6,626</u>

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans

Plan Description - Public Employees Retirement Association

The District contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minn. 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.

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. Coordinated Plan members were required to contribute 6.5% of their annual covered salary. The District is required to contribute 7.5% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2016, 2015 and 2014 were \$7,930, \$8,193, and \$7,245, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 - Operating Leases

The District had leased office space on a yearly basis. Under the rent agreement, the Districts total costs for January – April 2016 was \$3,734. The district moved to a new location in May 2016. As of March 1, 2017, no billing had been received and no payment had been made for May – December 2016.

Note 5 - Stewardship, Compliance and Accountability

Expenditures did not exceed the overall budgeted expenses.

Note 6 - Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	\$98,945
Plus: Excess of Revenue Over Expenditures	<u>\$(29,024)</u>
Governmental Fund Balance, December 31	<u>\$69,921</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$13,777
Plus: Deferred Outflows of Resources	\$46,970
Less: Long-Term Liabilities	\$(144,658)
Less: Deferred Inflows of Resources	<u>\$(12,139)</u>
Net Position	<u>\$(96,050)</u>

**HUBBARD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 7 - Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	\$(29,024)
Capital Outlay	\$2,068
Pension Expense, net	\$(18,102)
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.	\$(21,486)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>\$(122)</u>
Change in Net Position	<u>\$(66,666)</u>

**BREAKDOWN OF COUNTY REVENUE
2016**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$22,000
WATER PLAN MONEY	\$16,167
COUNTY AIS FUNDS	\$35,655
WETLAND MONEY	\$0
FEEDLOT MONEY	\$0
ABANDONED WELL	\$0
DNR SHORELAND	\$0
OTHER (rent for new location)	\$0
TOTAL	<u>\$ 73,822</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.

2016 Hubbard SWCD Capital Assets

Class	Asset	Expenditure Function	Purchased/Constructed	Useful Life	Beginning Balance	Threshold Adjustment	Adjusted Balance	Additions	Deletions	Ending Balance	Beginning Accumulated Depreciation	2016 Depreciation	Deletion	Ending Accumulated Depreciation	Asset Balance
Land					0	0	0	0	0	0	0	0	0	0	0
Buildings					0	0	0	0	0	0	0	0	0	0	0
Equipment, furniture and vehicles															
	Chairs - GONE	Conservation	1985	10	1,170		1,170	1,170	0	1,170	0	0	1,170	0	0
	CD Writer - GONE	Conservation	1998	5	586		586	586	0	586	0	0	586	0	0
	Enviroscope	Conservation	2001	10	783		783	783	0	783	0	0	783	0	0
	Hydrolab	Conservation	2007	5	5,524		5,524	5,524	0	5,524	0	0	5,524	0	0
	Trimble	Conservation	2013	5	1,816		1,816	1,816	363	1,090	363	0	1,453	363	0
	WQ Computer	Conservation	2013	5	1,332		1,332	1,332	266	799	266	0	1,066	266	0
	Decontamination	Conservation	2013	10	3,974		3,974	3,974	0	3,974	0	0	3,974	0	0
	Ford Pickup	Conservation	2014	5	28,209		28,209	28,209	0	28,209	0	0	28,209	0	0
	Nexes Tablets	Conservation	2015	5	5,886		5,886	5,886	0	5,886	0	0	5,886	0	0
	per audit**	Conservation	2015	5	7,400		7,400	7,400	0	7,400	0	0	7,400	0	0
	Purchased EOY* Mobile Decontamination Unit	Conservation	2016	5	0		0	1,276	0	1,276	0	0	1,276	0	0
	Purchased MOY** Admin Asst Dell Tower	Conservation	2016	5	0		0	792	0	792	0	0	792	0	0
	Purchased MOY** Admin Asst Lenovo LapTop	Conservation	2016	5	0		0	0	0	0	0	0	0	0	0
	Name of item	Conservation	2016	5	0		0	0	0	0	0	0	0	0	0
					56,680		56,979.00	2,068.00	20,098.00	38,949.00	23,786.60	21,486.00	20,098.00	25,174.60	13,774.40
	Total equipment, furniture, vehicles				56,680		56,979.00	2,068.00	20,098.00	38,949.00	23,786.60	21,486.00	20,098.00	25,174.60	13,774.40
					56,680		56,979.00	2,068.00	20,098.00	38,949.00	23,786.60	21,486.00	20,098.00	25,174.60	13,774.40

Capital Assets	1/1/2016	12/31/2016	Beginning	Addition	Deletion	Ending
Capital Assets	56,979.00	38,949.00	56,979	2,068	20,098	38,949
Accumulated Depreciation	-23,784.00	-25,174.60	-23,787	-21,486	20,098	-25,175
Net book value	33,195.00	13,774.40	33,192			13,774 << dlb check
PER 2015 AUDIT						
2016 Depreciation	\$21,486.00					
2016 New Assets	\$2,068.00					

* Mobile Decontamination Unit (purchased with grant money, items given to Hubbard County in 2016 as they took over the AIS duties)
 ** Both computers were received/purchased mid year - used 1/2 the years depreciation
 *** Totals for 2016 Annual Report
 **** using \$13,777 for 2016 to adjust for 2015 audit amount