

AITKIN COUNTY SWCD ANNUAL PLAN OF WORK



2012

**AITKIN COUNTY PLAN OF WORK
JANUARY THROUGH DECEMBER 2012**

March 14, 2012

Aitkin County Soil & Water Conservation District
Aitkin, Minnesota

FINANCIAL HIGHLIGHTS:

The loss of significant State funding in 2003, and the reduction in Water Planning funding that continues from year to year, forces the SWCD to increase funds from other sources and to reduce spending. The SWCD has managed to maintain its programs and personnel but is still faced with financial uncertainties. A stable funding source should be established for SWCD's throughout the State.

Please note: All financial information provided comes from our 2011 reports that have not yet been audited. We do have a 2011 audit scheduled that should occur in April of 2011. Some numbers may be adjusted as a result of the audit. 2011 ended with a net loss of \$ 32,280.00. It must be understood that a significant portion of our fund balance going into 2011 was deferred revenue that was received in 2008 and 2009 for project activities. 2011 showed a net loss due to the fact that funding was received in 2009 for project expenses that occurred in 2011. The SWCD goal is to increase and maintain our operating cushion to at least 4 months (approximately \$120,000) in order to ensure that continued services are provided to our clientele. Due to the timing of State and County fund allocations, cash flow is a continuing problem.

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 the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the 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. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of District roads, 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 and state finance most activities.

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 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 DISTRICT AS A WHOLE

The District's combined net assets were higher, increasing from \$(27,712) to \$(10,157), due mainly to an increase in current revenues over the prior year.

Net assets of the District governmental activities increased by 63 percent \$(10,157) compared to \$(27,712). 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 \$30,142 deficit at December 31, 2010 to a \$11,313 deficit at the end of this year. This deficit in unrestricted governmental net assets arose primarily because of the following factors. The loss of significant State funding in 2003, and the reduction in Water Planning funding that continues from year to year, forces the District to increase funds from other sources and to reduce spending. The District has managed to maintain its programs and personnel but is still faced with financial uncertainties. A stable funding source should be established for the District's throughout the State. The goal of the District is to increase and maintain an operating cushion of at least four months operating expenses (approximately \$115,000) in order to ensure that continued services are provided to our clientele. Due to the timing of State and County fund allocations, cash flow is a problem.

Governmental Activities

The District management took several actions this year to avoid a deficit as reported last year. Some of these actions looked to new sources for revenues while others reduced expenses.

The District aggressively sought programs or projects that fulfill its mission and provide at least partial funding for staff time and other expenses. The cost of all governmental activities this year was \$346,663 compared to \$332,996 last year. Overall, the District's governmental program revenues, including intergovernmental aid and fees for services, increased in 2011 from \$323,041 to \$365,492 principally based on increases in state revenues.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a deficit fund balance of \$11,313, which is smaller than last year's deficit of \$30,142. Included in this year's total change in fund balance, is a surplus of \$18,829 in the District's General Fund. The primary reasons for the General Fund's deficit mirror the governmental activities analysis.

General Fund Budgetary Highlights

Over the course of the year, the Board made no changes in the District's budget.

The actual charges to appropriations (expenditures) were \$117,759 under the final budget amounts.

The most significant positive variance (\$121,339) occurred in the District's State project expenditures, where several projects have begun, but not completed, that had received initial funding in the current year. On the other hand, resources available for appropriation were \$41,904 under the final budgeted amount. The most significant negative variance (\$29,382) occurred in the County grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had \$9,496 invested in a broad range of capital assets, including

computers and office equipment. This amount represents no change from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 District's Manager at:

Aitkin County Soil and Water Conservation District
130 Southgate Drive
Aitkin, MN 56431

USING THIS ANNUAL REPORT

This annual report consists of three parts: management discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements provide information about the activities of the SWCD as a whole and present a view of the SWCD's finances. We need about \$30,000 per month on which to operate. Some months are less expensive (perhaps as low as \$21,000) while others require more than \$35,000 (e.g. when project expenses or insurances are due).

Building the cash reserve continues to be a two-part process. 1. We have aggressively sought programs or projects that fulfill our mission and provide at least partial funding for staff time and other expenses. The SWCD staff should be commended for their efforts at procuring funds and working hard to complete the additional tasks. 2. Spending has been kept to a minimum where possible. We receive vehicles through an agreement with Aitkin County. Periodically the County sells vehicles on public auction and replaces them with newer vehicles. We have been allowed to view the vehicles that are about to be sold and use one or two of them for SWCD purposes. Title is transferred to us and we must return it to the County for public auction when the vehicle is no longer of use to us. We are currently on our fourth and fifth vehicles from the county. The first three were returned to the County. These cost-saving measures have helped us survive financially and have not caused undue hardship.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of 2011, it became apparent that both the Revenues and Expenditures were under-estimated for the year. This is due to the fact that budgeting occurs several months before the start of each fiscal year. It is not unusual for new projects to be added after the budget has been approved by the SWCD.

I. INTRODUCTION

Aitkin County is located in the northeastern part of central Minnesota. The county seat, Aitkin, is approximately 126 miles north of Minneapolis-St. Paul and 87 miles west of Duluth. Aitkin County has an area of about 1.2 million acres of which 113,000 acres is surface water. Land ownership in the county is approximately 46 percent private, 34 percent state, 19 percent county, and 1 percent federal. The county's population is about 15,300 (2000 data).

There are 580 farms (155,000 acres) in the county with an average size of 267 acres. Beef cattle and hay constitutes the largest single source of farm income. Of the 580 farms, approximately 51 are dairy farms, 225 beef, 17 hog, 16 sheep, and 24 poultry. These numbers represent about a 20% overall decline in agricultural activities since 1990.

It is speculated that agricultural downturns may slow somewhat but that may be dependant on prices producers receive for their products.

Privately owned lands comprise 46 percent of Aitkin County, with approximately one-fourth in some form of agricultural usage (not including forestry activities). About 65 percent of the county is forestland. Of this forested area, approximately 40 percent are under-stocked cover types (marsh, bog, brush land). The other major cover types include: aspen-birch, northern and lowland hardwoods, and conifers.

Development trends: In the past 10 to 15 years, Aitkin County has experienced rapidly increasing residential development. Lakes and rivers are being developed for weekend cabins so quickly that demand for riparian lands has forced prices to more than double in the past ten years. (Woods and Shores Real Estate). The trend is toward larger homes and larger related buildings (i.e. garages, pole buildings) on existing lakeshore lots. To a much smaller degree, some small lots are being consolidated with adjacent lots to create a larger building and recreation area. Second and third tier development will accelerate as well as development pressures increasing along rivers and wetlands.

The second major development trend applies to recreational acreages. These parcels typically vary between 10 and 100 acres with most parcels averaging about 40 acres in size. These parcels are usually used for seasonal cabins and outdoor recreation. Demand for this type of property has also increased dramatically as evidenced by approximately a doubling of recreational property values. It should be noted that accessibility, location, and other factors influence values.

Current trends are that demand and prices will continue to increase, however possibly at a slower rate than was experienced in the past ten years.

AITKIN COUNTY SWCD MISSION AND PURPOSE

OUR MISSION IS TO APPLY CONSERVATION PRACTICES TO THE LAND AND PROVIDE EDUCATIONAL OPPORTUNITIES TO LANDOWNERS AND GROUPS.

WE STRIVE TO DEVELOP COMMON SENSE, COOPERATIVE PROGRAMS TO ADDRESS RESOURCE NEEDS.

OUR PURPOSE IS TO WORK WITH OTHERS TO ACHIEVE SOUND MANAGEMENT OF OUR NATURAL RESOURCES.

AITKIN COUNTY SUPERVISORS

CHAIR	Frank Turnock
SECRETARY	Robert Roseberg
REPORTER	Joe Courier
TREASURER	Bob Janzen
VICE-CHAIR	Mike Lentz

AITKIN COUNTY STAFF

DISTRICT MANAGER	STEVEN R. HUGHES
DISTRICT SECRETARY	LORI M. NELSON
DISTRICT TECHNICIAN	JANET L. SMUDE
DISTRICT FORESTER	DENNIS J. THOMPSON

II. OBJECTIVES

This annual plan will be used to guide our activities to accomplish the long-term objectives that are outlined in the SWCD Mission and Purpose section and in the introduction. We understand that annual goals are necessary to ensure steady progress. The following actions will keep our staff and cooperating agencies working together to achieve the annual goals:

LOCAL WATER PLANNING

Aitkin County administers Local Water Planning through the Soil and Water Conservation District. We are operating under the fourth generation water plan that was adopted in June of 2009.

III. COST-SHARE HIGH PRIORITY AREAS

HIGH PRIORITY CONSERVATION PRIORITY AREAS INCLUDE ALL LANDS DESIGNATED AS SHORELAND AREAS. COST-SHARE FUNDING WILL BE DIRECTED BY THE SWCD BOARD AND STAFF TOWARD THESE HIGH PRIORITY AREAS. (AREAS WITHIN 1000 FEET OF LAKES OR 300 FEET OF RIVERS) THESE AREAS TYPICALLY CONTAIN A MIXTURE OF SOILS AND SLOPES AND ARE THE MOST IMPACTED BY RESIDENTIAL DEVELOPMENT. MOST CONSERVATION CONCERNS AND PROJECTS OCCUR IN SHORELAND AS EVIDENCED BY THE ENCLOSED BUDGETS. MANY TIMES THE PRIORITY AREA IS EXPANDED TO INCLUDE ENTIRE WATERSHEDS. OF SPECIAL CONCERN ARE THOSE FEEDLOTS, PASTURE AREAS AND EROSION SITES THAT MAY IMPACT SURFACE WATERS.

PRIORITIES FOR 2012 AND BEYOND ARE OUTLINED BELOW:

1. Surface Water Management

- A. Coordinate with cities and townships on storm water management plans
- B. Update and expand data collection and monitoring through Water Planning funds and MPCA CLMP Plus.
 - 1. Coordinate with the MPCA and BWSR to continue water quality monitoring and watershed assessment on 16 lakes in 2012 throughout the county
- C. Participate in the Big Sandy Total Maximum Daily Loads (TMDL) implementation.

2. Land Use and Development

- A. Support Shoreland Management and Protection
 - 1. Work with Cedar and Farm Island lakes property owners to review storm water run-off designs, rain gardens, shoreland buffers
 - 2. Look at total watershed cumulative impacts
 - 3. Promote the enforcement of current shoreland ordinances we will conduct approximately 45 on-site reviews with shoreland property owners
 - 4. Provide education of current regulations to property owners, contractors, developers. Meet with 100 on-site or in the office.
- B. Promote riparian buffer zones
 - 1. Continue to provide shoreland revegetation workshops 2 planned for 2012. Promote no mow zones on waterfronts and wetlands
 - 2. Continue to support the use and sale of native plants
 - 3. Continue to support shoreland restoration workshops and secure funding for continuation and on the ground project completion
 - 4. Promote the protection and re-establishment of native vegetation along shorelines

- C. Continue and expand the appropriate use of conservation easements on high priority sites.
1. Work with landowners to protect shoreland property from subdivision and intensive development
 2. To address the problems of forest fragmentation, explore the concept of forest legacy conservation easements.
 3. Promote Forest Stewardship plans and Sustainable Forest Incentive Act as incentives for landowners to retain their properties and delay or avoid subdivision

3. Ground Water Quality

- A. Maintain and protect the quality of Aitkin County's ground water resources.
1. Continue cost-share assistance to private landowners for sealing abandoned water wells. 4 wells to be sealed in 2012.
 2. Support increased levels of assistance to local landowners for agriculture erosion and sediment control through EQIP and State Cost-share.

5. Education

Education is a major component of all of the previous priority concerns. It was felt that in order to raise the awareness of the role that environmental education plays in maintaining and improving our water resources and other associated natural resources that it warranted a priority of its own.

The overall budget for 2012 is included as a part of this Annual Plan.

Expenses	2010 Budget	2011 Budget	2012 Budget
Supervisor's Compensation	\$ 10,600.00	\$ 8,600.00	\$ 10,600.00
Employee Salary	\$ 135,710.00	\$ 139,781.00	\$ 143,974.00
Life Insurance	\$ 576.00	\$ 576.00	\$
FICA/Medicare	\$ 12,850.00	\$ 13,150.00	\$ 12,500.00
PERA	\$ 7,700.00	\$ 9,400.00	\$ 10,800.00
Medical Insurance	\$ 24,840.00	\$ 24,840.00	\$ 17,280.00
DCP	\$ 390.00	\$ 390.00	\$ 500.00
Supervisor Expenses	\$ 5,000.00	\$ 4,000.00	\$ 5,200.00
Employee Expenses	\$ 1,000.00	\$ 500.00	\$ 1,300.00
Office Maintenance	\$ 3,000.00	\$ 3,100.00	\$ 3,100.00
Rent	\$ 12,000.00	\$ 12,024.00	\$ 12,024.00
Professional Services	\$ 4,900.00	\$ 4,900.00	\$ 5,000.00
Fees and Dues	\$ 4,000.00	\$ 3,200.00	\$ 4,800.00
Vehicle Expenses	\$ 3,500.00	\$ 3,000.00	\$ 3,200.00
Ag Inspector	\$ 600.00	\$ 300.00	\$ 200.00
Education/Promotion	\$ 1,400.00	\$ 400.00	\$ 300.00
Insurance	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00
Postage	\$ 1,400.00	\$ 1,100.00	\$ 1,100.00
Telephone/Email	\$ 2,600.00	\$ 2,500.00	\$ 2,400.00
Capital Outlay	\$ 800.00	\$ 500.00	\$
State Cost-share	\$ 3,000.00	\$ 3,000.00	\$ 2,900.00
Local Comp. Water Plan	\$ 4,600.00	\$ 3,944.00	\$ 3,000.00
FSC-Forest Certification	\$ 2,800.00	\$ 2,800.00	\$ 8,000.00

Tree Expenses	\$ 4,100.00	\$ 4,000.00	\$ 4,000.00
Tree Planter	\$ 120.00	\$ 120.00	\$ 150.00
Website	\$ 700.00	\$ 480.00	\$ 300.00
Big Sandy TMDL	<u>\$ 800.00</u>	\$ 7,000.00	
Aitkin County SWAG		\$ 6,000.00	\$ 170.00
Big Sandy 319 Grant		\$ 12,700.00	\$ 8,500.00
Mille Lacs CWF		\$ 55,203.00	\$ 37,900.00
Big Sandy CWF		\$ 26,290.00	\$ 17,540.00
Mille Lacs CWP		\$ 78,500.00	\$ 50,000.00
Big Sandy SWAG		\$ 1,900.00	\$ 2,500.00
<u>Cedar/F.I. CWF</u>		<u>\$ 28,000.00</u>	\$ 35,000.00
Total Expenses	\$ 251,786.00	\$ 464,998.00	

Revenues	2010 Budget	2011 budget	(proposed)
County Grants	\$ 91,945.00	\$ 111,945.00	\$ 92,910.00
2010 Con Con funding		\$ 10,000.00	
LCWP	\$ 24,016.00	\$ 21,644.00	
WCA	\$ 28,535.00	\$ 21,341.00	
BWSR Project Grants	\$ 3,970.00	\$ 4,066.00	\$ 3,700.00
BWSR Service Grants	\$ 24,800.00	\$ 19,560.00	\$ 20,212.00
Tree Sales	\$ 5,600.00	\$ 5,600.00	\$ 5,500.00
Tree Planter Rent	\$ 120.00	\$ 120.00	\$ 180.00
Observation Wells	\$ 720.00	\$ 720.00	\$ 720.00
Interest earnings	\$ 1,000.00	\$ 750.00	\$ 400.00
Kennecott flow meter rental		\$ 1,150.00	\$ 1,200.00
Forest Stewardship	\$ 14,000.00	\$ 12,000.00	
MFRC		\$ 15,000.00	\$ 26,000.00
Incentive Payments	\$ 800.00		
Ag Inspector	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00
FSC - Forest Certification	\$ 2,200.00	\$ 2,200.00	\$ 2,200.00
BS TMDL	\$ 4,200.00	\$ 8,000.00	
Aitkin County SWAG	<u>\$ 15,000.00</u>	\$ 12,000.00	\$ 950.00
Big Sandy 319 Grant		\$ 15,200.00	\$ 10,000.00

Mille Lacs CWF	\$ 9,000.00	\$ 7,300.00
Big Sandy CWF	\$ 5,800.00	\$ 3,300.00
Mille Lacs CWP	\$ 87,000.00	\$ 43,500.00
Big Sandy SWAG	\$ 4,500.00	\$ 6,300.00
Cedar/F.I. CWF	\$ 35,000.00	\$
<u>Deferred revenue (1/14/11 estimate)</u>	<u>\$ 60,000.00</u>	
 Total Revenues	 \$ 221,706.00	 \$ 467,396.00