The following is reference information for your auditor's use:

Soil and water conservation districts (SWCDs) are considered local units of governments and, as a general rule, obtain funding from three sources: their county, the Minnesota Board of Water and Soil Resources (BWSR), and charges for services. SWCDs receive an annual allocation from the county for operating expenses. BWSR (state) Conservation Delivery and Capacity grants are to be used for operating expenses. A county levy or cash equivalent match is required for a portion of the Capacity funds. BWSR Cost-Share funds are used for reimbursements to landowners for costs of completed conservation practice projects (75 percent limit on combined state funding). Self-generated funds (charges for services) are usually from selling trees and tree-related items, as well as plat books, equipment rentals etc. Some SWCDs also charge for services such as wetland delineations and reading DNR observation wells.

The Natural Resources Block Grant (NRBG) is a grant from the BWSR to Minnesota counties. It has four elements: Wetland Conservation Act funds (WCA), Comprehensive Local Water Plan (CLWP) funds, DNR Shoreland funds, and MPCA Individual Sewage Treatment Systems (ISTS) funds. The grant agreement states that at least $5,000 of the WCA funds should be forwarded to the SWCD within 30 days of receipt by the county. Other mutually agreeable arrangements may be made between the county and the district. The CLWP funds may be kept by the county or any part or all of it could go to the SWCD, depending on the district’s role in water plan activities. A county levy or cash equivalent match is required for the CLWP funds, and a one-to-one cash or in-kind match is required for the WCA and shoreland components of the NRBG grant. These funds should be recorded as "county revenue" in the SWCD books, as the county has already recorded them as "state revenue." Page three of the SWCD annual financial report is the “Breakdown of County Revenue" where the amounts for the annual allocation, WCA, and CLWP, etc. are shown separately.

The funds from BWSR to the districts are usually received in August and are three-year grants to be spent between grant agreement execution and by December 31 of the third year. Unspent funds must be returned to the State Treasurer within 30 days of the end of the grant period.

Districts have grant agreements in their offices that identify the dates and requirements of the BWSR grants. Usually they are only three or four page documents, so they can be quickly perused.

The SWCDs report on a cash basis during the calendar year and switch to a modified accrual basis for year end reporting. They are sent a blank report to fill in each year, which is a simplified version of other governmental unit's report forms. SWCDs use only one general fund (although they may do fund accounting if they choose) and keep track of their various grants on a BWSR-required "Program Record." This identifies the funding source and the receipts, disbursements, and balance of each fund each month.

All of the state statutes that pertain to SWCDs are found in Chapter 103 (mainly B, C, and F).

Districts report expenditures in two categories: "District Operations" and "Projects." District project expenditures are usually for trees and other items to be sold. State project expenditures are payments to landowners for conservation practices.

Beginning with the 2004 report districts prepared their financial statements under the rules of GASB34. This changed the format of the balance sheet and income statement, plus added the new element “Management Discussion and Analysis.”

Beginning with the 2011 report districts prepared their financial statements under the rules of GASB54, which made title changes in the Statement of Net Assets Fund Balance Section and in the corresponding Notes Section.
Beginning with the 2015 report districts prepared their financial statements under the rules of GASB 68 and 71, which require disclosure of pension obligations for PERA, the (Minnesota) Public Employees Retirement Association.

When you have completed the draft audit, please send it to the Office of the State Auditor (OSA) for review. The OSA auditor reviewing the report will return it to you with any comments or corrections. You may issue a final report to the district after you receive the OSA’s comments.

It would be very helpful to the district staff if you would discuss and explain any changes you think need to be made to their books. If you think a journal entry is in order to correct an amount, please explain to them why you are doing so and be sure they understand what needs to be done. Also, check to make sure they hadn’t already corrected the problem since the end of the year. Many of the mistakes made on the annual financial reports are a result of audit entries requested by the auditor without explanation - and those entries end up being a duplication of something the district staff had done early in the next calendar year.

Please send the draft to OSA by October 31. (Electronic submission preferred: tom.karlson@osa.state.mn.us) The district runs the risk of losing grant money if their audits are not completed on time.

All audits should be finalized by December 31. Extensions will be granted to the district if the Office of State Auditor has not supplied their draft audit response in time for the deadline.

After the final audit is complete, please send one copy, along with the management and compliance letter, to the Board of Water and Soil Resources via electronic submission, to the BWSR Administrative Services Director. BWSR must receive the audit directly from you the auditor. Send the rest of the copies to the district for distribution.