

**BELTRAMI SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2023**

	Page
INTRODUCTORY SECTION	
Organization	1
FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
Governmental Funds Balance Sheet and Statement of Net Position Of Governmental Activities	8
Governmental Funds Revenues, Expenditures and Changes in Fund Balance and Statement of Activities and Governmental Activities	9
Notes to the Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General	15
Budgetary Comparison Schedule – Special Revenue	16
Note to the Required Supplementary Information	17
REPORTS RELATED TO <i>GOVERNMENT AUDITING STANDARDS</i>	
Independent Auditor's Report on Minnesota Legal Compliance	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedule of Finding and Responses	21

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
ORGANIZATION
DECEMBER 31, 2023**

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
Chair	Shane Bowe	
Vice-Chair	Ray Hendrickson	12/31/2026
Treasurer	Ruth Trask	12/31/2024
Secretary	Rachel Gray	12/31/2026
Board Member	Sam Christenson	12/31/2024

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Beltrami Soil and Water Conservation District
Bemidji, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Beltrami Soil and Water Conservation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Beltrami Soil and Water Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Beltrami Soil and Water Conservation District, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beltrami Soil and Water Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beltrami Soil and Water Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Beltrami Soil and Water Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beltrami Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7, the budgetary comparison schedules on pages 15-16, and the note to the required supplementary information on page 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information. The other information comprises the district's organizational information under the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024, on our consideration of Beltrami Soil and Water Conservation District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beltrami Soil and Water Conservation District’s internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 8, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2023**

The Beltrami 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, 2023. 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	
	2023	2022
Current Assets	\$ 1,439,720	\$ 2,084,206
Capital Assets, net of accumulated depreciation	103,951	58,383
Total Assets	<u>\$ 1,543,671</u>	<u>\$ 2,142,589</u>
Current Liabilities	\$ 734,431	\$ 1,763,128
Total Liabilities	<u>\$ 734,431</u>	<u>\$ 1,763,128</u>
Investment in Capital Assets	\$ 103,951	\$ 58,383
Unrestricted	705,289	321,078
Total Net Position	<u>\$ 809,240</u>	<u>\$ 379,461</u>

Net position of the District's governmental activities increased by \$429,779. 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 \$321,078 at December 31, 2022 to \$705,289 at December 31, 2023.

Change in Net Position

	Governmental Activities	
	2023	2022
Revenues		
Intergovernmental	\$ 2,263,747	\$ 579,493
Charges for Services	51,668	59,323
Miscellaneous	732	9,297
Total Revenues	<u>\$ 2,316,147</u>	<u>\$ 648,113</u>
Expenses		
Conservation	\$ 1,886,368	\$ 530,971
Total Expenses	<u>\$ 1,886,368</u>	<u>\$ 530,971</u>
Increase (decrease) in Net Position	<u>\$ 429,779</u>	<u>\$ 117,142</u>

The District's total revenues increased by \$1,668,034. The total cost of programs and services increased by \$1,355,397.

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 \$705,289, which is above last year's total of \$321,078.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$1,863,515 over the final budgeted amounts. The most significant negative variance of \$1,731,093 occurred in State Project Expenditures. The most significant positive variance of \$1,936,508 occurred in State Revenue.

CAPITAL ASSETS

Capital Assets

At the end of 2023, the District had \$103,951 invested in capital assets. This amount represents a net increase (including additions and deletions) of \$45,568 from last year.

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 Beltrami Soil and Water Conservation District at 701 Minnesota Ave, Suite 113 Bemidji, MN 56601. The phone number is 218-333-4158.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023**

	General Fund	Special Revenue	Adjustments	Governmental Activities
ASSETS				
Cash	\$ 1,307,382	\$ 33,787	\$ -	\$ 1,341,169
Due from Other Governments	98,551	-	-	98,551
Capital Assets:				
Property and Equipment, net	-	-	103,951	103,951
Total Assets	<u>\$ 1,405,933</u>	<u>\$ 33,787</u>	<u>\$ 103,951</u>	<u>\$ 1,543,671</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 13,918	\$ -	\$ -	\$ 13,918
Due to Other Governments	26,559	-	-	26,559
Deposits on Sales	16,509	-	-	16,509
Unearned Revenue	643,658	33,787	-	677,445
Total Liabilities	<u>\$ 700,644</u>	<u>\$ 33,787</u>	<u>\$ -</u>	<u>\$ 734,431</u>
FUND BALANCE/NET POSITION				
Fund Balance:				
Unassigned	\$ 705,289	\$ -	\$ (705,289)	\$ -
Total Fund Balance	<u>\$ 705,289</u>	<u>\$ -</u>	<u>\$ (705,289)</u>	<u>\$ -</u>
Net Position:				
Investments in Capital Assets			\$ 103,951	\$ 103,951
Unrestricted			705,289	705,289
Total Net Position			<u>\$ 809,240</u>	<u>\$ 809,240</u>

See accompanying Notes to the Financial Statements.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	General Fund	Special Revenue	Adjustments	Governmental Activities
REVENUES				
Intergovernmental	\$ 2,251,234	\$ 12,513	\$ -	\$ 2,263,747
Charges for Services	51,668	-	-	51,668
Miscellaneous	732	-	-	732
Total Revenues	<u>2,303,634</u>	<u>12,513</u>	<u>-</u>	<u>2,316,147</u>
EXPENDITURES/EXPENSES				
Conservation:				
Current	1,861,436	12,513	12,419	1,886,368
Capital Outlay	57,987	-	(57,987)	-
Total Expenditures/Expenses	<u>1,919,423</u>	<u>12,513</u>	<u>(45,568)</u>	<u>1,886,368</u>
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	384,211	-	45,568	429,779
Fund Balance/Net Position - Beginning of Year	<u>321,078</u>	<u>-</u>	<u>58,383</u>	<u>379,461</u>
FUND BALANCE/NET POSITION - END OF YEAR	<u>\$ 705,289</u>	<u>\$ -</u>	<u>\$ 103,951</u>	<u>\$ 809,240</u>

See accompanying Notes to the Financial Statements.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Beltrami Soil and Water Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2023. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The significant accounting policies used by the District are discussed below.

Financial Reporting Entity

The Beltrami Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors, nominated by, and elected to four-year terms by the voters of Beltrami 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.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no organizations that should be presented with the District.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *special revenue fund* accounts for all activities associated with the Upper Red Lake Area Association agreement for the management, restoration, and protection of resources within the area.

Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District's net position is reported as restricted and unrestricted. The statement of activities demonstrates the degree to which the expenses of the District are offset by revenues.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The District considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources, when applicable.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Position or Fund Balance

Cash

Cash is stated at fair value and short-term money market investments, which are stated at amortized cost.

Due from Other Governments

Due from other governments are recorded for state, county, and local grant amounts that were received after year-end and all eligibility requirements were met.

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life 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. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 7 years. The District uses the threshold of \$5,000 for capitalizing assets purchased.

Unearned Revenue

Unearned revenue is recorded for amounts of state grants received prior to satisfying all eligibility requirements imposed by the providers.

Compensated Absences

The District contracts with Beltrami County for all District staff requirements, including PERA and compensated absences.

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Non-spendable fund balance represents amounts that are inherently non-spendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the government imposes upon itself by a high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or government body delegated to exercise such authority in accordance with the policy established by the Board. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then the unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance amounts.

Net Position

Net position represents the difference between assets and liabilities in the government-wide statement of net position. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position is the residual classification for the Governmental Activities Fund and includes all spendable amounts not contained in the other classifications.

Use of Estimates

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

Explanation of Adjustments Column in Statements

Capital Assets: In the Governmental Funds Balance Sheet and Statement of Net Position of Governmental Activities, 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 Note 3 on Capital Assets.

Depreciation: 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.

Change in Accounting Principle

Effective January 1, 2023, the District adopted GASB 96, *Subscription-Based Technology Arrangements*. The new standard establishes a right of use subscription asset and a corresponding liability that amortizes over the subscription term for all arrangements with terms longer than 12 months. The District only has short-term arrangements; therefore, this new standard will not affect them.

NOTE 2 – DEPOSITS

As of December 31, 2023, the District had \$1,341,169 on deposit with Beltrami County. Authorization to deposit cash to financial institutions is provided by Minnesota Statute 118A.02. The County may invest in the types of investments authorized by Minnesota Statute 118A.04. Minnesota Statutes require that all County deposits are covered by insurance, surety bond or collateral.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, was as follows:

	Beginning	Addition	Deletion	Ending
Equipment	\$ 66,637	\$ 57,987	\$ -	\$ 124,624
Less: Accumulated Depreciation	8,254	12,419	-	20,673
Net Capital Assets	<u>\$ 58,383</u>			<u>\$ 103,951</u>

Current year depreciation is \$12,419.

NOTE 4 – 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 general fund for the year ended December 31, 2023, consisted of the following: BWSR Cost Share Program \$12,276; Conservation Contracts \$25,822; Local Capacity \$233,057; Buffer Law \$29,299; Soil Health Cost Share \$8,611; Bemidji State University Stormwater \$112,157; Conservation Delivery \$52,752; One Watershed, One Plan Mississippi \$106,721; One Watershed, One Plan Upper/Lower Red Lake \$62,963; Total \$643,658.

Unearned revenue for the special revenue fund for the year ended December 31, 2023, consisted of the following: Upper Red Lake Keep It Clean \$33,787. Unearned revenue total between funds is \$677,445.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; workers' compensation claims; or natural disasters. The District has entered into an agreement with the Minnesota Counties Intergovernmental Trust (MCIT) to cover its liabilities for workers compensation and property and casualty. There were no significant reductions of insurance coverage from the prior year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

One District Supervisor is covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of the employer contributions and twenty-five hundredths of 1% of assets in each member's account annually.

Total contributions made by the District for the years ending December 31, 2023, 2022, and 2021 were \$150, \$100, and \$111, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 – OPERATING LEASE

The District is provided office space by Beltrami County.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

NOTE 9 – JOINT POWERS AGREEMENT

In 2023, the Beltrami Soil and Water Conservation District joined together with the Upper Red Lake Area Association to implement a Clean Water Legacy Pilot Grant.

With the development of the Clean Water Legacy Pilot Grant, the Upper Red Lake Area Association by and through their respective Association Board and the Beltrami Soil and Water Conservation District (SWCD) by and through their respective SWCD Board of Supervisors entered into a joint powers agreement pursuant to Minnesota Statutes Chapter 471.59.

This agreement does not establish a joint powers entity but sets out the terms and provisions by which the parties will continue the cooperative and collaborative work of the Association and SWCD with the Board of Water and Soil Resources (BWSR) in an advisory capacity for the continued planning and implementation of the Clean Water Legacy Pilot Grant.

NOTE 10 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	\$	321,078
Plus: Excess of Revenues Over Expenditures		384,211
Governmental Fund Balance, December 31	\$	<u>705,289</u>
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	\$	103,951
Net Position	\$	<u>809,240</u>

NOTE 11 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$	384,211
Capital Outlay		57,987
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		<u>(12,419)</u>
Change in Net Position	\$	<u>429,779</u>

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through October 8, 2024, the date the financial statements were available to be issued.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - GENERAL
YEAR ENDED DECEMBER 31, 2023**

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	\$ 9,690	\$ 9,690	\$ -
Local	-	278,660	278,660
State Grants	26,376	1,962,884	1,936,508
Total Intergovernmental	<u>36,066</u>	<u>2,251,234</u>	<u>2,215,168</u>
Charges for Services	25,968	51,668	25,700
Miscellaneous	-	732	732
Total Revenues	<u>62,034</u>	<u>2,303,634</u>	<u>2,241,600</u>
EXPENDITURES			
District Operations:			
Personnel Services	7,000	9,249	(2,249)
Other Services and Charges	10,250	71,847	(61,597)
Supplies	3,500	2,671	829
Capital Outlay	-	57,987	(57,987)
Total District Operations	<u>20,750</u>	<u>141,754</u>	<u>(121,004)</u>
Project Expenditures:			
District	21,500	32,918	(11,418)
State	13,658	1,744,751	(1,731,093)
Total Project Expenditures	<u>35,158</u>	<u>1,777,669</u>	<u>(1,742,511)</u>
Total Expenditures	<u>55,908</u>	<u>1,919,423</u>	<u>(1,863,515)</u>
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	6,126	384,211	378,085
Fund Balance - Beginning of Year	<u>321,078</u>	<u>321,078</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 327,204</u>	<u>\$ 705,289</u>	<u>\$ 378,085</u>

See accompanying Note to the Required Supplementary Information.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
BEMIDJI, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2023**

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
State Grants	\$ -	\$ 12,513	\$ 12,513
Total Intergovernmental	<u>-</u>	<u>12,513</u>	<u>12,513</u>
 Total Revenues	 <u>-</u>	 <u>12,513</u>	 <u>12,513</u>
 EXPENDITURES			
Project Expenditures:			
State	-	12,513	(12,513)
Total Project Expenditures	<u>-</u>	<u>12,513</u>	<u>(12,513)</u>
 Total Expenditures	 <u>-</u>	 <u>12,513</u>	 <u>(12,513)</u>
 EXCESS OF REVENUES OVER/UNDER EXPENDITURES	 -	 -	 -
 Fund Balance - Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

See accompanying Note to the Required Supplementary Information.

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets for the general fund and the 1W1P fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the Board of Supervisors adopts an annual budget for the following year for both funds. Any modifications in the adopted budget can be made upon request of and approval by the Board of Supervisors. All annual appropriations lapse at fiscal year-end. Legal budgetary control is at the fund level.

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$1,919,423; Budget \$55,908; Excess \$1,863,515.

Excess of expenditures over budget – The Special Revenue Fund had expenditures in excess of budget for the year as follows: Expenditures \$12,513; Budget \$0; Excess \$12,513.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Beltrami Soil and Water Conservation District
Bemidji, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Beltrami Soil and Water Conservation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Beltrami Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated October 8, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the Beltrami Soil and Water Conservation District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Beltrami Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 8, 2024

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Beltrami Soil and Water Conservation District
Bemidji, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Beltrami Soil and Water Conservation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Beltrami Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated October 8, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beltrami Soil and Water Conservation District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beltrami Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beltrami Soil and Water Conservation District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Finding and Responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beltrami Soil and Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Beltrami Soil and Water Conservation District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control finding identified in our audit and described in the accompanying Schedule of Finding and Responses. The Beltrami Soil and Water Conservation District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 8, 2024

**BELTRAMI SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDING AND RESPONSES
DECEMBER 31, 2023**

2023-001: Audit Adjustments

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions, including account coding, reporting of accruals, and net position.

Condition and Context: As part of the audit, we proposed material adjustments and reclassified transactions to the proper accounts for preparing note disclosures. Management has reviewed and approved the audit adjustments.

Cause: The District has a limited number of personnel with financial reporting experience.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the District to provide accurate accrual basis financial information.

Prior Year Finding: No.

Recommendation: We recommend that District management be constantly aware of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

Management Response: The District will continue to work at eliminating the need for audit adjustments.