



North St Louis Soil & Water Conservation District
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Virginia MN 55792

www.nslswcd.org
218-749-2000

May 2, 2017

Request for Quote on Audit Services for 2016, 2017 and 2018

To Whom It May Concern:

According to Minnesota Statute and the thresholds approved by the Minnesota Board of Water and Soil Resources (BWSR) and agreed to by the Office of the State Auditor (OSA), the North St. Louis Soil and Water Conservation District is required to have a financial and compliance audit performed on its records for the year ended December 31, 2016. The audit will be full scope in nature, resulting in audited financial statements, the auditor's opinion on the financial statements, and reports on internal control and compliance. A handout from BWSR on SWCD's is below for your reference.

- In 2016, the District had revenues of \$439,931. Complete financial statements are available under the District Business tab on www.nslswcd.org.
- The audit will be conducted in accordance with generally accepted auditing standards and the Minnesota Legal Compliance Audit Guide for Local Government. Copies of this document may be downloaded from the Office of the State Auditor web site, www.auditor.state.mn or ordered by calling 651-296-2551.
- The auditor will send a "draft" report, including a management letter or letter of findings, to the OSA for review and approval prior to issuing the final report. This should be done by October 31, 2017.
- The Office of the State Auditor will charge a review fee for hours spent reviewing your draft audit.
- The auditor's working papers will be retained for three years after the completion of the audit.
- The District will offer a one-year contract, renewable at its discretion annually.
- In future years, work will include completing the prior year's financial statement for BWSR by March 10 and the Office of State Auditor financial statement reporting for

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) General Service and RIM (Reinvest in Minnesota) Service grants are to be used for operating expenses and BWSR Cost-Share (regular and special projects) Project funds are for payments to landowners who installed conservation practices. The Cost-Share funds are reimbursements to landowners for costs of completed conservation practice projects (75 percent limit on combined state and federal 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 five elements: Wetland Conservation Act funds (WCA), Comprehensive Local Water Plan (CLWP) funds, DNR Shoreland funds, MPCA Feedlot 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, the shoreland, and the feedlot 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 two-year grants to be spent by June 30 of the second following year. General Service and RIM Service funds are to be used for district operations or be returned to the State Treasurer if unspent during the grant period. Cost-Share funds (including Special Project & Rollover funds) need to be encumbered by June 30 of the second year. Contracts for these encumbrances should be available in the district office. If project costs for which contracts have been signed come in under the amount encumbered, the district is to return the surplus to BWSR within 30 days (if it is after the encumbering period for that grant).

Districts have grant agreements in their offices that identify the use and encumbering dates 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 have the draft to the 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.