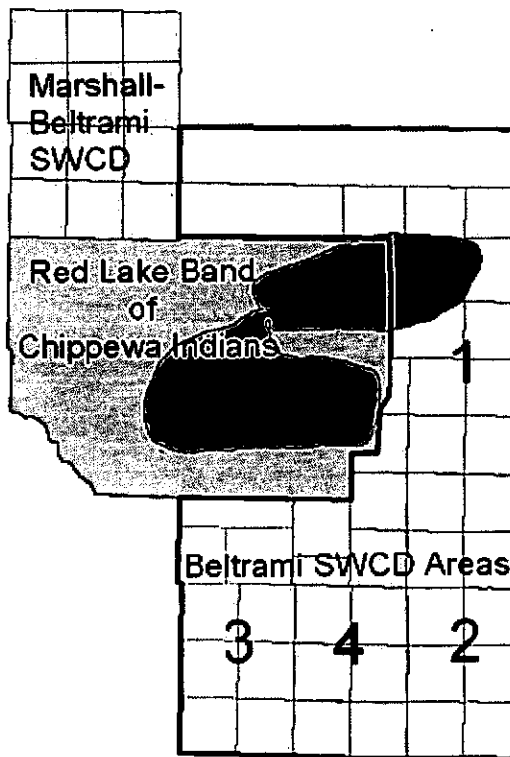


**BELTRAMI SOIL & WATER
CONSERVATION DISTRICT**

701 MINNESOTA AVE STE #113

BEMIDJI, MN 56601

218-333-4158



MD&A

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 2013

**SOIL AND WATER CONSERVATION DISTRICT
BELTRAMI COUNTY, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Beltrami 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, 2013. 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 District's financial statements and notes.

Using this Annual Report

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. 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, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report operations in more detail than the government-wide statements by providing information about the most significant funds. Since the District's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. The District has elected to present in this format.

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 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 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 also need to consider other nonfinancial factors, 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. Charges for services provided and appropriations from the state finance most activities.

Beltrami County Soil & Water Conservation District as a Whole

The District's Net Assets were higher, increasing from \$55,453 to \$66,410.

Table 1
Net Assets

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current & Other Assets	89,950	76,235
Capital Assets	<u>0</u>	<u>0</u>
Total Assets	89,950	76,235
Current Liabilities	23,540	20,782
Other Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	23,540	20,782
Total Net Assets	<u>66,410</u>	<u>55,453</u>

Both the District's Revenues and Expenditures decreased from 2012 to 2013. The corresponding Changes in Net Assets was an increase of \$39,394 in 2012 and an increase of \$10,957 in 2013.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues		
Intergovernmental	53,487	77,292
Charges for Services	34,570	26,820
Investment Earnings	0	0
Miscellaneous	<u>2,782</u>	<u>22,180</u>
Total Revenues	90,839	126,293
Expenditures		
District Operations	42,100	44,492
Program Expenditures	<u>37,782</u>	<u>42,407</u>
Total Expenditures	79,882	86,899
Increase (Decrease) Net Assets	<u>10,957</u>	<u>39,394</u>

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual Revenues were \$30,086 over budget. Actual Expenditures were \$40,047 over budget.

Capital Assets

At the end of 2013, the District had \$ 0 invested in a broad range of capital assets.

Contacting the Beltrami County Soil & Water 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 Beltrami County Soil & Water Conservation District at 218-333-4158, 701 Minnesota Ave, Bemidji, MN 56601.

SOIL AND WATER CONSERVATION DISTRICT
BELTRAMI COUNTY, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and investments	\$89,950		\$89,950
Accounts receivable	0		0
Due from other governments	0		0
Prepaid items	0		0
Capital Assets:			
Equipment (net of accumulated depreciation)		0	0
Total Assets	\$89,950	\$0	\$89,950
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$0		\$0
Salaries payable			0
Unearned revenue	23,540		23,540
Long-term liabilities:			
Due within one year		0	0
Due after one year		0	0
Total Liabilities	\$23,540	\$0	\$23,540
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Nonspendable (Prepays, Inventories)	\$0	\$0	\$0
Unrestricted			
Committed or Assigned	0	0	0
Unassigned	66,410	(66,410)	0
Total Fund Balance	\$66,410	(\$66,410)	\$0
Net Assets			
Invested in capital assets		\$0	\$0
Unassigned		66,410	66,410
Total Net Position		\$66,410	\$66,410

Notes are an integral part of the basic financial statements.

SOIL AND WATER CONSERVATION DISTRICT
BELTRAMI COUNTY, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$53,487	\$0	\$53,487
Charges for services	34,570	0	34,570
Investment earnings	0	0	0
Miscellaneous	2,782	0	2,782
Total Revenues	<u>\$90,839</u>	<u>\$0</u>	<u>\$90,839</u>
Expenditures/Expenses			
Conservation			
Current	\$79,882	\$0	\$79,882
Capital outlay	0	0	0
Total Expenditures/Expenses	<u>\$79,882</u>	<u>\$0</u>	<u>\$79,882</u>
Excess of Revenues Over (Under) Expenditures/Expenses	\$10,957	\$0	\$10,957
Fund Balance/Net Position January 1	<u>55,453</u>	<u>0</u>	<u>55,453</u>
Fund Balance/Net Position December 31	<u><u>\$66,410</u></u>	<u><u>\$0</u></u>	<u><u>\$66,410</u></u>

Notes are an integral part of the basic financial statements.

SOIL AND WATER CONSERVATION DISTRICT
BELTRAMI COUNTY, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$9,690	\$9,690	\$19,380	\$9,690
Local	0	0	0	0
Federal	0	0	0	0
State grant	29,383	29,383	34,107	4,724
Total intergovernmental	\$39,073	\$39,073	\$53,487	\$14,414
Charges for services	\$21,680	\$21,680	\$34,570	\$12,890
Miscellaneous				
Interest earnings	\$0	\$0	\$0	\$0
Other	0	0	2,782	2,782
Total miscellaneous	\$0	\$0	\$2,782	\$2,782
Total Revenues	\$60,753	\$60,753	\$90,839	\$30,086
Expenditures				
District operations				
Personnel services	\$7,000	\$7,000	\$5,346	\$1,654
Other services and charges	18,835	18,835	34,163	(15,328)
Supplies	0	0	2,591	(2,591)
Capital outlay	0	0	0	0
Total district operations	\$25,835	\$25,835	\$42,100	(\$16,265)
Project expenditures				
District	\$14,000	\$14,000	\$17,261	(\$3,261)
State	0	0	20,521	(20,521)
Total project expenditures	\$14,000	\$14,000	\$37,782	(\$23,782)
Total Expenditures	\$39,835	\$39,835	\$79,882	(\$40,047)
Excess of Revenues Over (Under)				
Expenditures	\$20,918	\$20,918	\$10,957	(\$9,961)
Fund Balance - January 1	\$54,406	\$54,406	\$55,453	\$0
Fund Balance - December 31	\$75,324	\$75,324	\$66,410	(\$9,961)

Notes are an integral part of the basic financial statements.

**BREAKDOWN OF COUNTY REVENUE
2013**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION	\$	0.00
WATER PLAN MONEY	\$	0.00
WETLAND MONEY	\$	19,380.00
FEEDLOT MONEY	\$	0.00
ABANDONED WELL	\$	0.00
DNR SHORELAND	\$	0.00
OTHER (specify)	\$	0.00
TOTAL		<u>\$ 19,380.00</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.

**UNEARNED REVENUE BREAKDOWN
2013**

Balance of BWSR Service Grants: \$ 0.00

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ 12,455.00

Previous fiscal year \$ 460.00

Balance of encumbered BWSR Cost-Share Grant (list each contract separately):

FY	Contract No.	Contract Amount	T & A Encumbered
2013	FY13#1	\$8,500	\$2,125

Total of all Cost-Share Encumbrances \$ 10,625.00

Balance of County WCA Funds: \$ 0.00

Balance of County Water Plan Funds: \$ 0.00

Balance of other funds being deferred (list if any):

_____ \$ _____

_____ \$ _____

_____ \$ _____

Subtotal of other funds: \$ 0.00

TOTAL OF ALL UNEARNED REVENUE: \$ 23,540.00

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Beltrami County Soil and Water Conservation District (District) conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

A. Financial Reporting Entity

The district is organized under the provisions of Minnesota Statutes Chapter 103C and 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 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.

The Beltrami County Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, 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 that 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.

B. Basis of Presentation

The accounts of the Beltrami County Soil and Water Conservation District are organized in the District's General Fund. The operations of the District are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. 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 the nonfiduciary 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 soon as all eligibility requirements imposed by the provider have been met.

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.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

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. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

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

E. Assets, Liabilities, and Equity Accounts

1. 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.

Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Nonspendable fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriable for spending.

Restricted, committed or assigned account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unrestricted, unassigned fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. The District has no capital assets.
2. Long-Term liabilities: In the Statement of Net Position and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.
3. Depreciation 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 change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. 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 8 to 14 hours per month. Sick leave accrual is 12 days per year until 960 hours are accumulated then 6 days per year is accrued. The limit on the accumulation of annual leave is 192 hours and there is no limit on sick leave. Upon termination from the District, employees are paid accumulated annual leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. General Fund Deficit

At December 31, 2013, the District's General Fund did not have a deficit fund balance.

B. Excess of Expenditures Over Budget

During 2013, actual expenditures \$79,882 exceeded budgeted expenditures \$39,835 by \$40,047.

C. Uncollateralized deposits

During 2013, the District's deposits with financial institutions did not exceed insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2013, the District's deposits totaled \$89,950, of which \$89,950 were cash deposits and \$0 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2013, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2013	\$	0
Additions	\$	0
Deletions	\$	0
2013 depreciation	\$	0
Balance December 31, 2013	\$	0

V. DEFERRED REVENUE

Unearned Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources.

Total Unearned Revenues itemized on "Unearned Revenue Breakdown" is \$23,540.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2013 are:

Balance January 1, 2013	\$	0
Net Changes in Compensated Absences	\$	0
Balance December 31, 2013	\$	0

VI - B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. PERA administers the Public Employees Retirement Fund (PERF.) The plan and its benefits are established and administered in accordance with Minnesota 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.

B. 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2013. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 7.00% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The District's employer share of contributions to PERA for the years ending December 31, 2013, 2012, and 2011 were \$116, \$185, and \$3,551 respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District is no longer leasing office space.