

**KANDIYOHI COUNTY SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
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DECEMBER 31, 2021**

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**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
ORGANIZATION
DECEMBER 31, 2021**

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
Chair	Doug Hanson	12/31/2024
Vice-Chair	Donnel Williamson	12/31/2022
Treasurer	Brandon Smith	12/31/2022
Secretary	Jane Youngkrantz	12/31/2024
Member	Ron Dilley	12/31/2024

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Kandiyohi County Soil and Water Conservation District
Willmar, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the General Fund of Kandiyohi County Soil and Water Conservation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the General Fund of Kandiyohi County Soil and Water Conservation District, as of December 31, 2021, and the 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 Opinion

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, 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 Kandiyohi County 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 opinion.

Responsibilities of Management for the Financial Statements

Kandiyohi County Soil and Water Conservation District's 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 Kandiyohi County Soil and Water Conservation District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 opinion. 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 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, 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 Kandiyohi County 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 Kandiyohi County 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9, the budgetary comparison schedule on page 25, and the defined benefit pension plan schedules on page 26 be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County Soil and Water Conservation District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2022, on our consideration of Kandiyohi County 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 Kandiyohi County Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

August 25, 2022

**MANAGEMENT’S DISCUSSION AND ANALYSIS
KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2021**

The Kandiyohi County 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, 2021. 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources—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	
	2021	2020
Current Assets	\$ 657,411	\$ 558,190
Capital Assets, net of accumulated depreciation	90,266	71,491
Deferred Outflows of Resources	95,457	22,243
Combined Assets and Deferred Outflows of Resources	<u>\$ 843,134</u>	<u>\$ 651,924</u>
Current Liabilities	\$ 267,043	\$ 229,894
Long-Term Liabilities	142,182	191,546
Deferred Inflows of Resources	126,070	10,152
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 535,295</u>	<u>\$ 431,592</u>
Investment in Capital Assets	\$ 90,266	\$ 71,491
Unrestricted	217,573	148,841
Total Net Position	<u>\$ 307,839</u>	<u>\$ 220,332</u>

Net position of the District's governmental activities increased by \$87,507. 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 \$148,841 at December 31, 2020 to \$217,573 at the December 31, 2021.

Change in Net Position:

	Governmental Activities	
	2021	2020
Revenues		
Intergovernmental	\$ 373,229	\$ 398,707
Charges for Services	156,684	217,380
Interest Earnings	952	1,133
Miscellaneous	12,851	11,118
Total Revenues	<u>\$ 543,716</u>	<u>\$ 628,338</u>
Expenses		
Conservation	\$ 456,209	\$ 522,586
Total Expenses	<u>\$ 456,209</u>	<u>\$ 522,586</u>
Increase (decrease) in Net Position	<u>\$ 87,507</u>	<u>\$ 105,752</u>

The District's total revenues decreased by \$84,622. The total cost of programs and services decreased by \$66,377.

There is currently a Conservation Reserve Enhancement Program (CREP) signup and the District will be receiving funds for plan development, construction design, and construction implementation as projects are approved.

The District will continue to participate in the Walk-In Access Program in 2022. There will be a grant agreement for approximately \$250 per contract.

The District will participate in the Minnesota Ag Water Quality Certification Program (MAWQCP) through contact with landowners and mailings. Staff will help landowners with applications and go on site visits. Staff time working on MAWQCP will be paid through grant funds.

Personnel costs will decrease in 2022 due to the District Manager retiring in 2021 and position currently vacant.

GOVERNMENTAL ACTIVITIES

Revenues, including sale of trees, native prairie grass, and filter fabric, along with services for planting, seeding, and installing filter fabric decreased \$60,696.

Approximately 29 percent of the District's funding was received from the County. State grants accounted for approximately 40 percent of the funding for the Cost Share Program, Walk-In Access funds, Easement Delivery, Conservation Delivery, Minnesota Ag Water Quality Certification Program CREP, Local Capacity, Buffer Implementation, and Wetland Services. The remaining 29 percent was generated from District service programs, and 2 percent from interest and miscellaneous revenue.

The cost of all governmental activities this year was \$456,209 compared to \$522,586 last year, a decrease of \$66,377. Taxpayers financed some of the expenses through County and State Grants. In addition to the cost share funds spent, the landowner also contributes to the cost of these conservation projects. The District also partners with NRCS, FSA, USF&WS, DNR, Kandiyohi County, Sportsman Groups, and Local Watersheds to fund cost share projects.

The largest program activities are:

- Reinvest in Minnesota (RIM)
- Continuous Conservation Reserve Program (CCRP)
- Conservation Reserve Program (CRP)
- Conservation Reserve Enhancement Program (CREP)
- State Cost Share
- Walk in Access (WIA)
- Minnesota Ag Water Quality Certification Program (MAWQCP)
- Service program for trees, native grass and filter fabric

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 \$390,368, which is above last year's total of \$328,296.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual charges to appropriations (expenditures) were \$105,379 under the final budgeted amounts. The most significant negative variance of \$24,323 occurred in County Revenue. The most significant positive variance of \$34,245 occurred in Personnel Services.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2021, the District had \$90,266 invested in capital assets. This amount represents a net increase (including additions and deletions) of \$18,775 from last year.

Long-Term Liabilities

At the end of 2021, the District had \$9,798 in accrued compensated absences and \$132,384 in Net Pension Liability. This compares to \$11,682 in 2020 for accrued compensated absences and \$179,864 for Net Pension Liability.

Economic Factors and Next Year's Budget and Rates

The District's elected officials considered many factors when setting the 2022 Budget. The County's level of funding will hopefully increase in 2022. State funding for General Services and the Cost Share Programs have remained the same as last year. Employee's wages will increase due to step increases and cost of living raises in 2022 but the District manager position is vacant so wages overall will decrease.

Additional State Grants will be received in 2022 for Local Capacity and Buffer Implementation. Competitive grants are available to apply for to secure funding for a variety of programs. The District will continue to apply for these competitive grants. It is important to continue searching and applying for grants to help fund the cost share conservation projects in the County.

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 Kandiyohi County Soil and Water Conservation District at 1005 High Ave NE, Willmar, MN 56201. The phone number is 320-235-3540. This information can also be found on the website, <http://kandiyohiswcd.org>.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash	\$ 643,478	\$ -	\$ 643,478
Due from Other Governments	13,933	-	13,933
Capital Assets:			
Property & Equipment, net of accumulated depreciation	-	90,266	90,266
Total Assets	657,411	90,266	747,677
DEFERRED OUTFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	95,457	95,457
	-	95,457	95,457
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	\$ 657,411	\$ 185,723	\$ 843,134
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 57	\$ -	\$ 57
Deposits on Sales	1,244	-	1,244
Unearned Revenue	265,742	-	265,742
Long-term Liabilities:			
Net Pension Liability	-	132,384	132,384
Compensated Absences	-	9,798	9,798
Total Liabilities	267,043	142,182	409,225
DEFERRED INFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	126,070	126,070
	-	126,070	126,070
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	\$ 267,043	\$ 268,252	\$ 535,295
FUND BALANCE/NET POSITION			
Fund Balance:			
Assigned - Compensated Absences	\$ 9,798	\$ (9,798)	\$ -
Unassigned	380,570	(380,570)	-
Total Fund Balance	\$ 390,368	\$ (390,368)	\$ -
Net Position:			
Investments in Capital Assets		\$ 90,266	\$ 90,266
Unrestricted		217,573	217,573
Total Net Position		\$ 307,839	\$ 307,839

See accompanying Notes to the Financial Statements.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	General Fund	Adjustments	Governmental Activities
REVENUES			
Intergovernmental	\$ 373,229	\$ -	\$ 373,229
Charges for Services	156,684	-	156,684
Interest Earnings	952	-	952
Miscellaneous	12,851	-	12,851
Total Revenues	<u>543,716</u>	<u>-</u>	<u>543,716</u>
EXPENDITURES/EXPENSES			
Conservation:			
Current	445,655	10,554	456,209
Capital Outlay	35,989	(35,989)	-
Total Expenditures/Expenses	<u>481,644</u>	<u>(25,435)</u>	<u>456,209</u>
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	62,072	25,435	87,507
Fund Balance/Net Position - Beginning of Year	<u>328,296</u>	<u>(107,964)</u>	<u>220,332</u>
FUND BALANCE/NET POSITION - END OF YEAR	<u>\$ 390,368</u>	<u>\$ (82,529)</u>	<u>\$ 307,839</u>

See accompanying Notes to the Financial Statements.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kandiyohi County Soil and Water Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2021. 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 Kandiyohi County 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 Kandiyohi 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.

Basic Financial Statements

Basic financial statements include information on the District's activities as a whole and information on the individual fund of the District. These separate presentations are reported in different columns. Each of the statements starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the District as a whole.

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.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash

Cash consists of a checking and savings account.

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 have been met.

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life of the related assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 7 to 10 years, Vehicles are 5 years, Buildings are 40 years, and Office Equipment is 6 years. The District uses the threshold of \$2,500 for capitalizing assets purchased.

Unearned Revenue

Unearned revenue is recorded for amounts of state, county, and local grant amounts received prior to satisfying all eligibility requirements imposed by the providers.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Compensated Absences

Under the District's personnel policies, employees are granted vacation and sick leave in varying amounts based on their length of service. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2021 are determined on the basis of current salary rates and include salary related payments.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

The financial statements for the District contain deferred outflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one type of deferred outflow which is pension related.

Deferred Inflows of Resources

The financial statements for the District contain deferred inflows of resources. A deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow which is pension related.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable 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.

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, deferred outflows, liabilities, and deferred inflows 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.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

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 Statement of Net Position and Governmental Fund Balance Sheet, 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.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absences and Net Pension Liability the District has as of the report date. See Note 5 on Long-Term Liabilities.

Depreciation, Net Pension Expense 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 net pension expense and the change in compensated absences between the reporting year and the previous year.

NOTE 2 – DEPOSITS

Minnesota Statutes §§118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in Certificates of Deposit.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – DEPOSITS (CONTINUED)

Custodial Credit Risk - Deposits (Continued)

Minnesota Statute §118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of U.S. government agency; general obligations of a state or local government rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of December 31, 2021, the District’s deposits were not exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, was as follows:

	Beginning	Addition	Deletion	Ending
Building	\$ 141,394	\$ -	\$ -	\$ 141,394
Equipment	128,638	35,989	-	164,627
Total	270,032	35,989	-	306,021
Less: Accumulated Depreciation	198,541	17,214	-	215,755
Net Capital Assets	<u>\$ 71,491</u>			<u>\$ 90,266</u>

Current year depreciation is \$17,214.

NOTE 4 – UNEARNED REVENUE

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and from the County 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 year ended December 31, 2021, consisted of the following: BWSR Cost Share Program \$42,080; County Water Plan Funds \$30,669; Conservation Delivery \$20,474; Buffer Implementation \$25,062; Local Capacity \$147,457; Total \$265,742.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District’s long-term liabilities for the year ended December 31, 2021:

	January 1, 2021	Increases	Decreases	December 31, 2021
Net Pension Liability	\$ 179,864	\$ -	\$ 47,480	\$ 132,384
Compensated Absences	11,682	-	1,884	9,798

Vacation and Sick Leave Pay

Vacation leave accrual varies from 8 to 14 hours per month. Sick leave accrual is 8 hours per month. The limit on the accumulation of vacation leave is 180 hours and the limit on the accumulation of sick leave is 920 hours. Upon termination of employment from the District, employees are only paid accrued vacation leave.

Compensated Absences Payable

The amount of the estimated obligation at December 31, 2021 was \$9,798. The District’s General Fund finances compensated absences when employees terminate their employment from the District.

NOTE 6 – 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. For other risks, the District carries commercial insurance. 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 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2021, were \$14,707. The District's contributions were equal to the required contributions as set by state statute.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs

At December 31, 2021, the District reported a liability of \$132,384 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$4,049.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0031 percent at the end of the measurement period and .0030 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 132,384
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>4,049</u>
Total	<u><u>\$ 136,433</u></u>

For the year ended December 31, 2021, the District recognized a pension credit of \$4,776 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$327 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Domestic Equity	33.5	5.10
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
District's proportionate share of the GERF net pension liability:	\$ 269,996	\$ 132,384	\$ 19,465

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2021 were \$9,331.

NOTE 9 – 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.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through August 25, 2022, the date the financial statements were available to be issued.

NOTE 11 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	\$	328,296
Plus: Excess of Revenues Over Expenditures		62,072
Governmental Fund Balance, December 31	\$	<u>390,368</u>
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	\$	90,266
Plus: Deferred Outflows of Resources		95,457
Less: Long-Term Liabilities		(142,182)
Less: Deferred Inflows of Resources		<u>(126,070)</u>
Net Position	\$	<u>307,839</u>

NOTE 12 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$	62,072
Capital Outlay		35,989
Pension Credit, net		4,776
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(17,214)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		<u>1,884</u>
Change in Net Position	\$	<u>87,507</u>

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	\$ 182,023	\$ 157,700	\$ (24,323)
State Grants	235,000	215,529	(19,471)
Total Intergovernmental	417,023	373,229	(43,794)
Charges for Services	155,000	156,684	1,684
Interest Earnings	-	952	952
Miscellaneous	15,000	12,851	(2,149)
Total Revenues	587,023	543,716	(43,307)
EXPENDITURES			
District Operations:			
Personnel Services	298,550	264,305	34,245
Other Services and Charges	47,904	53,238	(5,334)
Supplies	2,000	1,995	5
Capital Outlay	25,000	35,989	(10,989)
Total District Operations	373,454	355,527	17,927
Project Expenditures:			
District	103,569	102,639	930
State	110,000	23,478	86,522
Total Project Expenditures	213,569	126,117	87,452
Total Expenditures	587,023	481,644	105,379
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	-	62,072	62,072
Fund Balance - Beginning of Year	328,296	328,296	-
FUND BALANCE - END OF YEAR	<u>\$ 328,296</u>	<u>\$ 390,368</u>	<u>\$ 62,072</u>

See accompanying Notes to the Required Supplementary Information.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA**

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2021**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 11,383	\$ 11,383	\$ -	\$ 151,773	7.50%
2016	\$ 11,806	\$ 11,806	\$ -	\$ 157,417	7.50%
2017	\$ 14,395	\$ 14,395	\$ -	\$ 191,932	7.50%
2018	\$ 15,447	\$ 15,447	\$ -	\$ 205,963	7.50%
2019	\$ 15,789	\$ 15,789	\$ -	\$ 210,515	7.50%
2020	\$ 16,661	\$ 16,661	\$ -	\$ 222,152	7.50%
2021	\$ 14,707	\$ 14,707	\$ -	\$ 196,096	7.50%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each year-end were determined December 31.

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2021**

Fiscal Year Ending	Employer's Proportion of Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0026%	\$ 134,745	\$ -	\$ 134,745	\$ 148,283	90.87%	78.19%
2016	0.0025%	\$ 202,988	\$ 2,617	\$ 205,605	\$ 154,983	132.66%	68.90%
2017	0.0027%	\$ 172,366	\$ 2,150	\$ 174,516	\$ 172,546	101.14%	75.90%
2018	0.0030%	\$ 166,428	\$ 5,462	\$ 171,890	\$ 201,498	85.31%	79.50%
2019	0.0029%	\$ 160,335	\$ 5,000	\$ 165,335	\$ 206,945	79.89%	80.20%
2020	0.0030%	\$ 179,864	\$ 5,560	\$ 185,424	\$ 216,866	85.50%	79.10%
2021	0.0031%	\$ 132,384	\$ 4,049	\$ 136,433	\$ 224,741	60.71%	87.00%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEE RETIREMENT FUND
DECEMBER 31, 2021**

NOTE 1 – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS

2021 -

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 -

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for year 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEE RETIREMENT FUND (CONTINUED)
DECEMBER 31, 2021**

**NOTE 1 – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS
(CONTINUED)**

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets 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 the General Fund. 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.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Kandiyohi County Soil and Water Conservation District
Willmar, 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 the General Fund of Kandiyohi County Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Kandiyohi County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 25, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Kandiyohi County 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 Kandiyohi County 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

August 25, 2022

**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
Kandiyohi County Soil and Water Conservation District
Willmar, 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 the General Fund of Kandiyohi County Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Kandiyohi County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kandiyohi County 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 Kandiyohi County Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kandiyohi County 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 Recommendation as item 2021-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kandiyohi County 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*.

Kandiyohi County 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 Response. The Kandiyohi County 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

August 25, 2022

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDING AND RECOMMENDATION
DECEMBER 31, 2021**

2021-001: Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition and Context: Substantially all accounting procedures are performed by one person.

Prior Year Finding: Yes, 2020-001.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

Management Response: The District has adequate policies and procedures in place to compensate for the lack of segregation of duties, including having all disbursements approved by the Board of Supervisors.

The District has developed Internal Controls to delegate duties for the financial oversight of the District.

The bank statements are reconciled in QuickBooks by the Office Manager and copies are mailed to the Treasurer to review. Check signing is assigned to the Office Manager, District Administrator, and Treasurer. All checks require 2 signatures.

The Treasurer reviews a few expenses prior to the monthly board meeting. The Office Manager provides invoices for the check numbers requested.