

**KANDIYOHI COUNTY SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FINANCIAL SECTION	Page
Independent Auditor's Report	1
Management Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	8
Notes to the Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule, Budget and Actual, General Fund	21
Schedule of Contributions	22
Schedule of Proportionate Share of Net Pension Liability	22
Notes to the Required Supplementary Information – General Employee Retirement Fund	23
ADDITIONAL REPORTS	
Minnesota Legal Compliance	25
Report on Internal Control	26
Schedule of Findings and Responses	28

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise Kandiyohi County Soil and Water Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Kandiyohi County Soil and Water Conservation District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Kandiyohi County Soil and Water Conservation District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 21 and defined benefit pension plan schedules on page 22 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of the 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 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
Certified Public Accountants
Waconia, Minnesota

October 18, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS
KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2020**

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, 2020. 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	
	2020	2019
Current Assets	\$ 558,190	\$ 420,553
Capital Assets, net of depreciation	71,491	81,404
Deferred Outflows of Resources	22,243	28,442
Combined Assets and Deferred Outflows of Resources	<u>\$ 651,924</u>	<u>\$ 530,399</u>
Current Liabilities	\$ 229,894	\$ 204,167
Long-Term Liabilities	191,546	175,520
Deferred Inflows of Resources	10,152	36,132
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 431,592</u>	<u>\$ 415,819</u>
Investment in Capital Assets	\$ 71,491	\$ 81,404
Unrestricted	148,841	33,176
Total Net Position	<u>\$ 220,332</u>	<u>\$ 114,580</u>

Net position of the District's governmental activities increased by \$105,752. 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 \$33,176 at December 31, 2019 to \$148,841 at December 31, 2020.

Change in Net Position:

	Governmental Activities	
	2020	2019
<u>Revenues</u>		
Intergovernmental	\$ 398,707	\$ 439,210
Charges for Services	217,380	191,278
Interest Earnings	1,133	2,098
Miscellaneous	11,118	8,125
Total Revenues	<u>\$ 628,338</u>	<u>\$ 640,711</u>
 <u>Expenses</u>		
Conservation	<u>\$ 522,586</u>	<u>\$ 599,678</u>
Total Expenses	<u>\$ 522,586</u>	<u>\$ 599,678</u>
 Increase in Net Position	 <u>\$ 105,752</u>	 <u>\$ 41,033</u>

The District's total revenues decreased by \$12,373. The total cost of programs and services decreased by \$77,092.

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 2021. There will be a grant agreement for this program 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 increase in 2021 with employee step and cost of living increases and seasonal staff helping with seeding programs.

Governmental Activities

Revenues, including sales of trees, native prairie grass, and filter fabric, along with services for planting, seeding, and installing filter fabric increased by \$26,102.

Approximately 25 percent of the District's funding was received from the County. State grants accounted for approximately 38 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 35 percent was generated from District service programs, and 2 percent from interest and miscellaneous revenue.

The cost of all governmental activities this year was \$522,586 compared to \$599,678 last year, a decrease of \$77,092. Taxpayers financed some of the expenses through County and State Grants. In addition to the cost share funds that were spent, the landowner also contributes to the cost of these conservation projects. The District also partner with NRCS, FSA, USF&WS, DNR, Kandiyohi County, Sportsman Groups, and Local Watersheds to fund cost share projects.

The largest programs of 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 GENERAL FUND

As the District completed the year, its general fund as presented in the balance sheet reported a fund balance of \$328,296, which is above last year's total of \$216,386.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$70,572 below the final budgeted amounts. The most significant negative variance of \$13,031 occurred in District Project Expenditures. The most positive variance of \$77,947 occurred in State Project Expenditures.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2020, the District had \$71,491 invested in capital assets. This amount represents a net decrease (including additions and deletions) of \$9,913 from last year.

Long-Term Liabilities

At the end of 2020, the District had \$11,682 in accrued compensated absences and \$179,864 in Net Pension Liability. This compares to \$15,185 in 2019 for accrued compensated absences and \$160,335 in Net Pension Liability.

Economic Factors and Next Year's Budget and Rates

The District's elected officials considered many factors when setting the 2021 Budget. The County's level of funding will hopefully increase in 2021. 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 raise in 2021.

Additional State Grants will be received in 2021 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 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, Wilmar, 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
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 546,803	\$ -	\$ 546,803
Accounts Receivables	11,387	-	11,387
Capital Assets:			
Property & Equipment (net of accumulated depreciation)	-	71,491	71,491
Total Assets	<u>558,190</u>	<u>71,491</u>	<u>629,681</u>
Deferred Outflows of Resources			
Defined Benefit Pension Plan	-	22,243	22,243
Combined Assets and Deferred Outflows of Resources			
	<u>\$ 558,190</u>	<u>\$ 93,734</u>	<u>\$ 651,924</u>
Liabilities			
Current Liabilities:			
Accrued Wages	\$ 58	\$ -	\$ 58
Deposits on Sales	2,394	-	2,394
Unearned Revenue	227,442	-	227,442
Long-term Liabilities:			
Net Pension Liability	-	179,864	179,864
Compensated Absences	-	11,682	11,682
Total Liabilities	<u>229,894</u>	<u>191,546</u>	<u>421,440</u>
Deferred Inflows of Resources			
Defined Benefit Pension Plan	-	10,152	10,152
Combined Liabilities and Deferred Inflows of Resources			
	<u>\$ 229,894</u>	<u>\$ 201,698</u>	<u>\$ 431,592</u>
Fund Balance/Net Position			
Fund Balance:			
Assigned - Compensated Absences	\$ 11,682	\$ (11,682)	\$ -
Unassigned	316,614	(316,614)	-
Total Fund Balance	<u>\$ 328,296</u>	<u>\$ (328,296)</u>	<u>\$ -</u>
Net Position			
Investments in Capital Assets		\$ 71,491	\$ 71,491
Unrestricted		148,841	148,841
Total Net Position		<u>\$ 220,332</u>	<u>\$ 220,332</u>

Notes are an integral part of the basic financial statements.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 398,707	\$ -	\$ 398,707
Charges for Services	217,380	-	217,380
Interest Earnings	1,133	-	1,133
Miscellaneous	11,118	-	11,118
Total Revenues	<u>\$ 628,338</u>	<u>\$ -</u>	<u>\$ 628,338</u>
Expenditures/Expenses			
Conservation			
Current	\$ 509,187	\$ 13,399	\$ 522,586
Capital Outlay	7,241	(7,241)	-
Total Expenditures/Expenses	<u>\$ 516,428</u>	<u>\$ 6,158</u>	<u>\$ 522,586</u>
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 111,910	\$ (6,158)	\$ 105,752
Fund Balance/Net Position January 1	<u>\$ 216,386</u>	<u>\$ (101,806)</u>	<u>\$ 114,580</u>
Fund Balance/Net Position December 31	<u>\$ 328,296</u>	<u>\$ (107,964)</u>	<u>\$ 220,332</u>

Notes are an integral part of the basic financial statements.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Kandiyohi County Soil and Water Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

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 voters of the District and elected to four-year terms by the voters of the 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 District provides technical and financial assistance to individuals, groups, districts, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Basic Financial Statements

The Kandiyohi County Soil and Water Conservation District meets the definition of a Special-Purpose government and is involved in only one program, i.e., conservation of soil and water resources. Accordingly, the District is allowed to combine its government-wide statements with the fund statements.

The government-wide financial statements (i.e. The Statement of Net Position and The Statement of Activities) display information about the reporting government as a whole. These statements include all financial activities of the District.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

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 or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Certain items not properly included among program revenues are reported instead as miscellaneous revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, or fiduciary. Currently, the District has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 the related cash flows. Charges for services revenue is recorded when earned. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

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 measurable and available. Revenues are considered measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. County and local grant revenue is generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Investment earnings are recorded when earned because they are measurable and available. Miscellaneous revenues (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements in advance of the year in which the item is to be used.

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the general government.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

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

Cash

Cash is 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.

Accounts Receivables

Receivables are collectible within one year.

Capital Assets

The cost of property and equipment is depreciated over the estimated useful lives 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 5 to 10 years and Buildings are 40 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.

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, 2020 are determined on the basis of current salary rates and include salary related payments.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This separate financial statement element 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

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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.

Fund Balance

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable portions of fund balance relate to prepaid expenditures or inventory amounts. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the District imposes upon itself by a high-level formal action prior to the close of the fiscal period. The District's Board of Supervisors authorizes all assigned fund balances and their intended uses. The District currently reports an assigned fund balance of \$11,682 for Compensated Absences. Unassigned fund balances are considered the remaining amounts, usually in the General Fund, only.

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

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows in the government-wide financial statements. 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.

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 the Capital Assets Note.

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 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.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available to be issued.

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. Minnesota Statute 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, the market value of collateral pledged shall be at least ten percent more than the amount on deposit (plus accrued interest) at the close of the financial institution's banking day.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and Certificates of Deposit. Minnesota Statutes require that 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.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 – DEPOSITS (CONTINUED)

Custodial Credit Risk 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. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional deposit policies addressing custodial credit risk. As of December 31, 2020, the District's deposits were not exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 was as follows:

	Beginning	Addition	Deletion	Ending
Building	\$ 141,394	\$ -	\$ -	\$ 141,394
Equipment	124,591	7,241	3,194	128,638
Total Building & Equipment	\$ 265,985	\$ 7,241	\$ 3,194	\$ 270,032
Less: Accumulated Depreciation	184,581	17,154	3,194	198,541
Net Capital Assets	<u>\$ 81,404</u>			<u>\$ 71,491</u>

Current year depreciation is \$17,154.

NOTE 4 – UNEARNED REVENUE

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2020, consists of the following: State Cost Share Program \$34,090; Water Plan Funds \$27,046; Buffer Implementation \$21,435; Conservation Delivery \$19,501; Local Capacity \$125,370; Total \$227,442.

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, 2020:

	January 1, 2020	Increases	Decreases	December 31, 2020
Net Pension Liability	\$ 160,335	\$ 19,529	\$ -	\$ 179,864
Compensated Absences	15,185	-	3,503	11,682
Total	<u>\$ 175,520</u>	<u>\$ 19,529</u>	<u>\$ 3,503</u>	<u>\$ 191,546</u>

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Vacation and Sick Leave

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, 2020 is \$11,682. The District's General Fund finances compensated absences on a pay-as-you-go-basis.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors, and omissions; injuries to employees; workers' compensation claims; and 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 previous year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contribution charges, so that the total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy the claims liabilities and other expenses. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the District in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the District pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the District in a method and amount to be determined by MCIT.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan 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, 2020**

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 ten 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. Beginning in 2019, 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 1.00 percent and a maximum of 1.50 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. For 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 2020 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, 2020, were \$16,661. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2020, the District reported a liability of \$179,864 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 \$5,560. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0030 percent at the end of the measurement period and .0029 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$	179,864
State of Minnesota's proportionate share of the net pension liability associated with the District		5,560
Total	<u>\$</u>	<u>185,424</u>

For the year ended December 31, 2020, the District recognized a pension credit of \$252 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$484 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.

At December 31, 2020, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,795	\$ 684
Changes in actuarial assumptions	-	6,608
Net collective difference between projected and actual investment earnings	1,860	-
Changes in Proportion	10,255	2,860
Contributions paid to PERA subsequent to the measurement date	8,333	-
Total	\$ 22,243	\$ 10,152

The \$8,333 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount	
2021	\$	(4,078)
2022		(1,323)
2023		4,838
2024		4,321

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in 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.

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 Stocks	35.5	5.10
International Stocks	17.5	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	2.0	0.00
Total	100.00	

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 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 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the GERF net pension liability:	\$ 288,259	\$ 179,864	\$ 90,446

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 2020 were \$9,331.

NOTE 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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.

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 11 – RISK AND UNCERTAINTY

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization had declared the outbreak to constitute a “Public Health Emergency of International Concern.” During 2020 the stock market was unpredictable and interest rates decreased. The economy is still managing, but future economic conditions are unknown. For fiscal year 2020, COVID-19 had little effect on the District, but the extent to which COVID-19 may impact the District’s future financial condition or results of its operation is uncertain.

NOTE 12 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	\$	216,386
Plus: Excess of Revenues Over Expenditures		111,910
Governmental Fund Balance, December 31	\$	<u>328,296</u>
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	\$	71,491
Plus: Deferred Outflows of Resources		22,243
Less: Long-Term Liabilities		(191,546)
Less: Deferred Inflows of Resources		(10,152)
Net Position	\$	<u>220,332</u>

NOTE 13 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$	111,910
Capital Outlay		7,241
Pension Credit, net		252
The cost of capital assets are allocated over the capital assets' useful lives at the government-wide level.		(17,154)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		<u>3,503</u>
Change in Net Position	\$	<u>105,752</u>

KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
WILLMAR, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 168,000	\$ 157,700	\$ (10,300)
State Grant	250,000	241,007	(8,993)
Total Intergovernmental	<u>\$ 418,000</u>	<u>\$ 398,707</u>	<u>\$ (19,293)</u>
Charges for Services	<u>\$ 155,000</u>	<u>\$ 217,380</u>	<u>\$ 62,380</u>
Miscellaneous			
Interest Earnings	\$ -	\$ 1,133	\$ 1,133
Other	14,000	11,118	(2,882)
Total Miscellaneous	<u>\$ 14,000</u>	<u>\$ 12,251</u>	<u>\$ (1,749)</u>
Total Revenues	<u>\$ 587,000</u>	<u>\$ 628,338</u>	<u>\$ 41,338</u>
Expenditures			
District Operations			
Personnel Services	\$ 294,050	\$ 304,572	\$ (10,522)
Other Services and Charges	56,081	46,397	9,684
Supplies	2,000	765	1,235
Capital Outlay	12,500	7,241	5,259
Total District Operations	<u>\$ 364,631</u>	<u>\$ 358,975</u>	<u>\$ 5,656</u>
Project Expenditures			
District	\$ 112,369	\$ 125,400	\$ (13,031)
State	110,000	32,053	77,947
Total Project Expenditures	<u>\$ 222,369</u>	<u>\$ 157,453</u>	<u>\$ 64,916</u>
Total Expenditures	<u>\$ 587,000</u>	<u>\$ 516,428</u>	<u>\$ 70,572</u>
Excess of Revenues Over (Under)			
Expenditures	\$ -	\$ 111,910	\$ 111,910
Fund Balance - January 1	<u>\$ 216,386</u>	<u>\$ 216,386</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 216,386</u></u>	<u><u>\$ 328,296</u></u>	<u><u>\$ 111,910</u></u>

The Notes to the Required Supplementary Information are an integral part of this schedule.

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

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2020**

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%

* 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, 2020**

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)	Employers 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%

* 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, 2020**

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

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 project 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 for 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 (CONTINUED)
GENERAL EMPLOYEE RETIREMENT FUND
DECEMBER 31, 2020**

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

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 – BUDGETARY INFORMATION

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, 2020, 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 October 18, 2021.

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 and bidding, deposits and 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
Certified Public Accountants
Waconia, Minnesota

October 18, 2021

**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 the 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, 2020, 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 October 18, 2021.

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. 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 did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2020-001, that we consider to be a significant deficiency.

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 determination of 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 Findings

Kandiyohi County Soil and Water Conservation District's response to the findings identified in our audit have been included in the Schedule of Findings and Responses. The Kandiyohi County Soil and Water Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
Certified Public Accountants
Waconia, Minnesota

October 18, 2021

**KANDIYOHI COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020**

2020-001 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: Substantially all accounting procedures are performed by one person.

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 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.