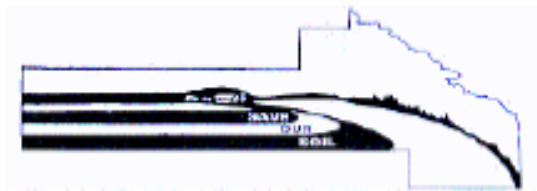
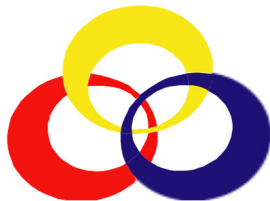


FINANCIAL AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2023



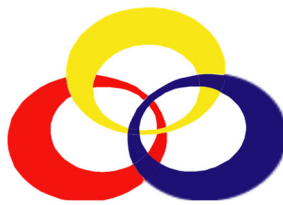
YELLOW MEDICINE
SOIL AND WATER CONSERVATION DISTRICT



Kinner & Company Ltd
Certified Public Accountants

**YELLOW MEDICINE SOIL AND WATER
CONSERVATION DISTRICT
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Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Yellow Medicine Soil and Water Conservation District
Clarkfield, MN 56223

Opinions

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

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 the Yellow Medicine Soil and Water Conservation District, Minnesota as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Yellow Medicine Soil and Water Conservation District, Minnesota and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Visit our website at www.kinner.co

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards, 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 the Yellow Medicine Soil and Water Conservation District, Minnesota'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 the Yellow Medicine Soil and Water Conservation District, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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 August 15, 2024, on our consideration of the Yellow Medicine 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 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 the Yellow Medicine Soil and Water Conservation District's internal control over financial reporting and compliance.

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
August 15, 2024

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

The Yellow Medicine Soil and Water Conservation District's (SWCD) discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's Financial Statements and Notes to the Financial Statements following this section.

FINANCIAL HIGHLIGHTS

The SWCD's fund balance on the Governmental Revenues, Expenditures and Changes in Fund Balance increased due to the revenues exceeding the expenditures.

USING THIS ANNUAL REPORT

This annual report consists of three main parts: The Management's Discussion and Analysis (this section), the Basic Financial Statements and the Required Supplementary Information.

- Management's Discussion and Analysis (MDA-this section). This section relates mostly to the changes in the SWCD's finances and explains the Governmental Wide-Financial Statements in detail.
- Basic Financial Statements:
 - The Statement of Net Position and the Statement of Activities
 - Provide information about the Yellow Medicine SWCD as a whole and present a longer-term view of the District's finances.
 - Fund Financial Statements
 - Tell how governmental activities were financed as well as what remains for future spending.
 - Report the Yellow Medicine SWCD operations in more detail than the government-wide statements by providing information about the most significant fund.
 - Since Soil and Water Conservation Districts are single-purpose special-purpose governments, they are generally able to combine the government-wide and fund financial statements into single presentation. The Yellow Medicine SWCD has elected to present in this format.
 - Notes to the Financial Statements
 - Help explain specific line items in the Basic Financial Statements and demonstrates a comprehensive evaluation of the District's financial state.
 - Give brief or detailed explanations on how the financial numbers were derived.
- Required Supplementary Information. This section contains additional information related to GASB Statement No. 68 for Pensions.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The analysis of the Yellow Medicine Soil and Water Conservation District as a whole begins with page 6. One of the most important questions asked about the SWCD’s finances is, “Is the SWCD 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 SWCD 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 SWCD’s net position and changes in them. One can think of the SWCD’s net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows - as one way to measure the SWCD’s financial health, or financial position. Over time, increases or decreases in the SWCD’s net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors also need to be considered to assess the overall health of the SWCD.

In the Statement of Net Position and the Statement of Activities, the SWCD presents governmental activities. All of the SWCD’s basic services are reported here. Appropriations from the county and the state help to finance the SWCD’s activities.

REPORTING THE SWCD’S GENERAL FUND:

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the general fund—not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the SWCD’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 SWCD’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 SWCD’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation included with the financial statements.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

THE SWCD AS A WHOLE – GOVERNMENTAL ACTIVITIES

Statement of Net Position and Governmental Fund Balance

The Yellow Medicine Soil and Water Conservation District’s net position increased from one year ago. The analysis below focuses on the net position (Table 1) of the SWCD’s governmental activities.

Table 1

Net Position	Governmental Activities	
	2023	2022
Current and other assets	\$ 1,024,594	\$ 995,045
Capital assets	41,434	50,706
Total assets	1,066,028	1,045,751
Deferred Outflows	45,583	83,921
Long-term liabilities outstanding	200,420	312,264
Other liabilities	210,643	298,890
Total liabilities	411,063	611,154
Deferred Inflows	65,946	16,121
Net position		
Investment in capital assets	41,434	50,706
Restricted	60,579	73,269
Unrestricted	532,589	378,421
Total Net Position	\$ 634,602	\$ 502,396

The net position for the SWCD’s governmental activities increased by approximately 26 percent from \$502,396 in 2022 compared to \$634,602 in 2023. 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 \$378,421 at December 31, 2022 to \$532,589 at December 31, 2023. The unrestricted net position at December 31, 2023 represents 84% of total net position.

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

Statement of Activities

Table 2 reflects changes in Governmental activities of the SWCD.

Table 2

Condensed Statement of Activities	Balance 2023	Balance 2022
Revenue:		
Program Revenues:		
Charges for Services	\$ 57,073	\$ 40,193
Operating Grants and Contributions	647,176	419,735
General Revenues:		
Interest	4,745	1,945
Other Miscellaneous Revenue	10,761	17,222
Total Revenues	<u>719,755</u>	<u>479,095</u>
Expenditures:		
Conservation	587,548	528,246
Total Expenditures	<u>587,548</u>	<u>528,246</u>
Other Financing Sources		
Sale of Assets	-	1,500
Increase (Decrease) in Net Position	132,206	(47,652)
Net Position, January 1	502,396	550,048
Net Position, December 31	<u>\$ 634,602</u>	<u>\$ 502,396</u>

Changes in revenues/expenses from the previous year included:

- Charges for Services increased by approximately 42% (due to additional tree sales)
- Expenses increased by approximately 11%.
- Operating Grants and Contributions increased by approximately 54%, largely due to the new SWCD Aid.

THE SWCD'S GENERAL FUND

As the SWCD completed the year, its general fund reported a total fund balance of \$813,951 which is \$117,798 more than last year's total of \$696,154.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS

The SWCD budget was amended during 2023. The Budgetary Comparison Statement is found on page 12. The actual charges to appropriations (expenditures) were \$62,620 greater than the final budgeted amounts. The most significant variances related to district project expenditures.

CAPITAL ASSETS

The SWCD’s capital asset threshold is \$5,000. At the end of 2023 the SWCD had \$41,434 invested in capital assets, net of depreciation. This includes buildings, land, vehicles, equipment and machinery. See Table 3 below.

**Table 3
Capital Assets at Year-end**

Governmental Activities	Balance 2023	Balance 2022
Assets		
Land	\$ 4,689	\$ 4,689
Building	63,470	63,470
Vehicles	68,300	68,300
Equipment/Machinery	69,751	69,751
Total Assets	\$ 206,210	\$ 206,210
(Net of Depreciation)	\$ 41,434	\$ 50,706

More detailed information about the SWCD’s capital assets can be found on page 29 of the notes to the financial statements.

LONG-TERM LIABILITIES

Long-term liability obligations include accrued vacation and sick leave for which employees are paid upon termination from the SWCD and net pension liability. Detailed information about the SWCD’s long-term liabilities is presented in the Note 1D to the financial statement.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The SWCD's elected officials considered many factors when setting the fiscal-year 2024 budget. Some of the economic factors taken into account for the 2024 budget included: sales of trees and tree mats, state funding (new grants: local capacity, buffer, water quality certification grant, etc.), federal funding and the county allocation. Expense factors include expenses, employee salary increases and health insurance benefits offered to the employees.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report was designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Yellow Medicine Soil and Water Conservation District, P.O. Box 545, 1000 10th Avenue, Suite 3, Clarkfield, Minnesota 56223 or call 320-669-4442 Ext. 3.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
CLARKFIELD, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and Investments	\$ 988,423		\$ 988,423
Accounts Receivable	-		-
Interest Receivable	1,872		1,872
Due from Other Governments	21,251		21,251
Inventory	13,048		13,048
Capital Assets:			
Non-depreciable		4,689	4,689
Depreciable, net		36,745	36,745
Total Assets	1,024,594	41,434	1,066,028
Deferred Outflows of Resources			
Defined Benefit Pension Plan		45,583	45,583
Combined Assets and Deferred Outflows of Resources			
	\$ 1,024,594	\$ 87,017	\$ 1,111,611
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 50,000		\$ 50,000
Salaries and Payroll Liabilities Payable	3,009		3,009
Due To Other Governments	1,539		1,539
Unearned Revenue	156,095		156,095
Long-term Liabilities:			
Net Pension Liability		190,124	190,124
Compensated Absences		10,296	10,296
Total Liabilities	210,643	200,420	411,063
Deferred Inflows of Resources			
Defined Benefit Pension Plan		65,946	65,946
Combined Liabilities and Deferred Inflows of Resources			
	\$ 210,643	\$ 266,366	\$ 477,009
<u>Fund Balance/Net Position</u>			
Fund Balance			
Nonspendable (Inventories)	\$ 13,048	\$ (13,048)	-
Restricted	60,579	(60,579)	-
Committed	10,296	(10,296)	-
Assigned	370,961	(370,961)	-
Unassigned	359,067	(359,067)	-
Total Fund Balance	\$ 813,951	\$ (813,951)	-
Total Liabilities and Fund Balance			
	\$ 1,024,594		
Net Position			
Investments in Capital Assets		\$ 41,434	\$ 41,434
Restricted		60,579	60,579
Unrestricted		532,589	532,589
Total Net Position		\$ 634,602	\$ 634,602
Total Liabilities and Net Position			
		\$ 87,017	\$ 1,111,611

The notes to the financial statements are an integral part of this statement.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
CLARKFIELD, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$ 647,176	\$ -	\$ 647,176
Charges for Services	57,073	-	57,073
Investment Earnings	4,745	-	4,745
Miscellaneous	10,761	-	10,761
Total Revenues	719,755	-	719,755
Expenditures/Expenses			
Conservation			
Current	601,957	(14,409)	587,548
Total Expenditures/Expenses	601,957	(14,409)	587,548
Excess of Revenues Over (Under)			
Expenditures/Expenses	117,798	14,409	132,206
Net Change in Fund Balance	117,798	14,409	132,206
Fund Balance/Net Position January 1	696,154	(193,758)	502,396
Fund Balance/Net Position December 31	\$ 813,951	\$ (179,349)	\$ 634,602

The notes to the financial statements are an integral part of this statement.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
CLARKFIELD, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Over (Under)</u>
Revenues				
Intergovernmental				
County	\$ 181,605	\$ 181,605	\$ 177,946	\$ (3,659)
State Grants	256,316	478,572	469,230	(9,342)
Total Intergovernmental	437,921	660,177	647,176	(13,001)
Charges for Services	41,900	56,581	57,073	492
Miscellaneous				
Interest Earnings	1,200	1,200	4,745	3,545
Other	23,450	15,170	10,761	(4,409)
Total Miscellaneous	24,650	16,370	15,506	(864)
Total Revenues	504,471	733,128	719,755	(13,373)
Other Financing Sources				
Sales of Assets	-	-	-	-
Total Revenues and Other Financing Sources	504,471	733,128	719,755	(13,373)
Expenditures				
District Operations				
Personnel Services	403,913	403,913	368,798	35,115
Other Services and Charges	65,505	58,905	54,267	4,638
Supplies	20,500	20,500	6,256	14,244
Capital Outlay	-	-	-	-
Total District Operations	489,918	483,318	429,321	53,997
Project Expenditures				
District	24,090	35,691	148,085	(112,394)
State	20,328	20,328	24,551	(4,223)
Total Project Expenditures	44,418	56,019	172,636	(116,617)
Total Expenditures	534,336	539,337	601,957	(62,620)
Excess of Revenues Over (Under)				
Expenditures	(29,865)	193,791	117,798	(75,993)
Fund Balance - January 1	696,154	696,154	696,154	-
Fund Balance - December 31	\$ 666,289	\$ 889,945	\$ 813,952	\$ (75,993)

The notes to the financial statements are an integral part of this statement.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
CLARKFIELD, MINNESOTA**

**RECONCILIATION OF GOVERNMENT FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH STATEMENT OF ACTIVITIES
DECEMBER 31, 2023**

Total Net Changes in Fund Balances- Governmental Funds	\$	117,798
Capital assets expensed as capital outlay in governmental fund statements, capitalized as capital assets in Statement of Net Position.		0
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(9,271)
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds		32,687
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as element of pension expense. The fund financial statements report pension contributions as expenditures.		(9,008)
Change in Net Position of Government Activities	\$	<u>132,206</u>

The notes to the financial statements are an integral part of this statement.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
CLARKFIELD, MINNESOTA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balance – Total Governmental Funds	\$ 813,951
Capital assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expenses when acquired in the Statement of Revenues, Expenditures and Changes in Fund Balance.	41,434
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as a liability on the Statement of Net Position.	(10,296)
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in funds.	(190,124)
Pension related deferred inflows are not due and payable in the current financial resources, and therefore are not reported in funds.	(65,946)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	45,583
Net Position of Governmental Activities	\$ <u>634,602</u>

The notes to the financial statements are an integral part of this statement.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The SWCD's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 20, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The SWCD adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

A. REPORTING ENTITY

The Yellow Medicine Soil and Water Conservation District (SWCD) was organized under the provisions of *Minnesota Statutes* Chapter 103C. The SWCD is governed by a five member Board composed of one member from each of the participating soil and water conservation districts, elected to four-year terms by the voters of the County.

The purpose of the SWCD 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 habitat.

The SWCD in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service and other agencies provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the SWCD develops a work plan, which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the SWCD's objectives.

The SWCD is not considered a part of Yellow Medicine County because, even though the county provides a significant amount of the SWCD's revenue in the form of an appropriation, it does not retain any control over the operations of the SWCD.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the SWCD does not have any component units.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the SWCD. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* (of which, the SWCD has none).

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (typically 60 days) to pay liabilities of the current period. Revenues subject to accrual are interest on investments and intergovernmental revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. The SWCD also received an annual appropriation from the county which is recognized as revenue when received, unless it is prior to the period to which it applies. In that case, revenue is deferred until the appropriate period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION (Continued)

The emphasis in fund financial statements is on major funds in the governmental activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The funds of the financial reporting entity are described below.

Governmental Fund:

General Fund - The general fund is the primary operating fund of the SWCD and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict or contradict guidance of the GASB.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For the purposes of the statement of cash flows, the SWCD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are carried at fair value, based on quoted market price at the reporting date. There are no investments as of December 31, 2023.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

Inventories

Inventory is valued at lower of cost or market using the first-in, first-out method. The cost of other consumable materials and supplies on hand are material to the financial statements and the SWCD has therefore chosen to report these items as inventory this year. The value of inventory as of December 31, 2023 was \$13,048.

Receivables

Due from other governments includes amounts for shared projects or grants.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Prepays

There were no prepaids as of December 31, 2023.

Capital Assets

Capital assets are defined by the SWCD as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets and intangible assets are reported in the application governmental column of the government-wide financial statements.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the SWCD as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Position. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

Land	Not Depreciated
Buildings	10 – 50 Years
Improvements	15 – 50 Years
Machinery and Equipment	3 – 20 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows 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/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the governmental activities column on the financial statements. The general fund is used to liquidate these obligations.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

Vacation and Sick Leave and Compensated Absences

Annual Leave: Will be earned by all eligible personnel based on length of service. Annual leave is earned per pay period in the following manner:

Completion of 0-4 years of service: 4 hours per pay period
Completion of 5 years of service: 8 hours per pay period

No annual leave can be taken before it is earned unless prior approval from the SWCD Director is granted. Maximum balance of annual leave to be carried to January 1 of each year is 240 hours. Annual leave more than the limitation by the end of the year will be lost. To accruing annual leave, personnel starting employment before the 15th of them month shall be considered to have, started on the first of the month and those starting on the 15th of the month or after, shall be considered to have started on the first of the next month.

Sick Leave: Will be granted to all regular employees. Sick leave will be accumulated at the rate of four (4) hours per pay period. Sick leave will be pro-rated for regular part-time employees. There will be no limit on the accumulation of sick leave.

Severance Pay upon Termination or Resignation

All employees upon leaving employment in good standing, prior to the normal retirement date or whose employment is terminated shall be entitled to severance pay. Severance pay shall include the payment of accumulated vacation leave at the current rate of wage at separation not to exceed an amount as follows:

Less than 1 year	= Not eligible
Completion of 1 year	= 80 hours
Completion of 2 years	= 160 hours
Completion of 3 years or more	= 240 hours

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

Vacation and Sick Leave and Compensated Absences (Continued)

Severance Pay upon Retirement

All employees upon leaving employment in good standing on or subsequent to the normal retirement date shall be entitled to severance pay. The normal retirement date is defined under PERA and/or Social Security and to be eligible the employee must have a minimum of 10 years of continued years of service for the SWCD. Severance pay shall include the payment of accumulated vacation leave, accumulated sick leave or a combination thereof at the current rate of wage at separation not to exceed 800 hours. Severance pay shall be paid in a manner mutually agreeable to the employee and employer over a period not to exceed five years from retirement or termination of employment. In the event that a retired or terminated employee dies before all or a portion of the severance pay has been disbursed, that balance due shall be paid to a named beneficiary or, lacking same, to the deceased estate. Severance pay may be paid into the employee's VEBA Account.

Fund Balance Classifications

The SWCD implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the SWCD Board. To be reported as committed, amounts cannot be used for any other purpose unless the SWCD Board removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance - consists of amounts intended to be used by the SWCD for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)

Fund Balance Classifications (Continued)

- Unassigned fund balance - consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

The SWCD uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the SWCD would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The SWCD has formally adopted a fund balance policy for the General Fund. The SWCD's policy is to maintain a minimum unassigned fund balance between the ranges of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2023, the unassigned fund balance of the General Fund was 64% of the subsequent year's budgeted expenditures.

Net Position Classifications

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 except that PERA’s fiscal year end is June 30. 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by the SWCD for the General Fund. The SWCD made amendments to its budget in 2023.

Encumbrances: The SWCD does not utilize encumbrance accounting.

B. FUND BALANCE CLASSIFICATION

At December 31, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund
Nonspendable	\$ 13,048
Restricted	60,579
Committed	10,296
Assigned	370,961
Unassigned	359,067
Total Fund Balances	\$ 813,951

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund had excess expenditures over appropriations as of December 31, 2023 of \$62,620.

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

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The SWCD maintains a pooled cash and investment portfolio that is used by substantially all SWCD funds using the pooled deposit and investment concept. This concept provides the SWCD with the ability to maximize earnings on idle monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the SWCD.

Investment income derived from the pooled funds is allocated to respective funds on the basis of applicable cash balance participation by each fund.

Deposits

In accordance with Minnesota Statutes, the SWCD maintains deposits at those depository banks authorized by the SWCD, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all SWCD deposits be insured, protected by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental 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 also 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. The SWCD does not have any deposit policies that would further limit deposit choices.

According to Minnesota Statutes, the aggregate of a government entity's interest bearing account, i.e., savings account, NOW account, and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of a government entity's demand accounts i.e., non-interest bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the government entity's time/savings accounts. This separate \$250,000 coverage for demand and time/savings accounts only applies if the depository is in the same state as the government entity.

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

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk- Deposits - Custodial credit risk is the risk that in the event of a bank failure, the SWCD's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, cash equivalents, and certificates of deposit, had a bank balance of \$1,050,794 at December 31, 2023, that was fully insured by depository insurance or secured with collateral held by the SWCD's agent in its name. The carrying amount of these deposits at December 31, 2023 was \$988,423

Investment Policy

The SWCD has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to deposit and investment of operating funds which are managed within the SWCD's pooled cash and investment portfolio. This policy sets for the SWCD's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide to proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the SWCD's investment program as set forth by the investment policy is preservation of capital and protection of investment principal. Investment decisions are made under the assumption that except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

Separate investment policies or agreements may exist to address proceeds from certain bond issuers or debt service funds in accordance with arbitrage rebate requirements.

The SWCD is authorized by Minnesota Statutes to invest idle funds as follows:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c. General obligations of the State of Minnesota or its municipalities.
- d. Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e. Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- f. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g. Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

- h. Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United States insurance company and with a credit quality in one of the top two highest categories.

The SWCD does not have any investment policies that would further limit investment choices.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the SWCD's investment policy the SWCD is required to mitigate its exposure to interest rate risk as follows:

- Purchasing a combination of shorter and longer term investments.
- Timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.
- Monitoring the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.
- Unless matched to a specific cash flow requirement, the SWCD will not directly invest in securities maturing more than five (5) years from the date of purchase.
- The average weighted maturity of the portfolio should not exceed three (3) years.
- Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with expected use of funds.

As of December 31, 2023, the SWCD had no investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the SWCD limits their investment options to those authorized by the State of Minnesota as described above.

Concentrations of Credit Risk

The risk of loss attributed to the magnitude of the SWCD's investment in a single issuer. The SWCD places no limit on the amount that may be invested in any one issuer.

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

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, this is the risk that in the event of the failure of the counterparty, the SWCD will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2023, all deposits were insured or registered or the securities were held by the SWCD or its agent in the SWCD's name.

The following table represents the SWCD's cash balances as of December 31, 2023:

<u>Cash/Cash Equivalent Type</u>	<u>Average Maturities</u>	<u>% of Total</u>	<u>Fair Value</u>
Checking Account	N/A	45%	\$ 447,151
Savings Account	N/A	31%	309,309
Certificates of Deposit	N/A	23%	231,962
Total Cash		100%	<u>\$ 988,423</u>

A reconciliation of cash and certificates of deposits as shown on the Statements of Net Position at December 31, 2023:

Statement of Net Position	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 988,423</u>
Total	<u>\$ 988,423</u>

B. ACCOUNTS RECEIVABLE

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

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

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

B. ACCOUNTS RECEIVABLE (Continued)

Unearned Revenue

Unearned Revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and county grants. Revenues will be recognized when the related program expenditures are recognized. Unearned revenue for the year ended December 31, 2023, consists of:

Balance of BWSR 2024 Buffer Grant	\$ 35,000
Balance of BWSR Conservation Grants:	
Fiscal Year 2025	39,112
Fiscal Year 2024	34,954
Balance of unencumbered BWSR Cost Share Grants:	
Fiscal Year 2023	17,060
Balance of County WCA Funds:	
Fiscal Year 2025	11,984
Fiscal Year 2024	11,984
Other funds being deferred:	
Balance of AWQCP Grant	6,000
TOTAL OF ALL UNEARNED REVENUE:	\$ 156,095

Breakdown of Appropriation from Yellow Medicine County:

ANNUAL ALLOCATION	\$115,000
WETLAND MONEY	4,841
OTHER - AIS Allocation	42,505
OTHER-Match	15,600
TOTAL	<u>\$177,946</u>

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

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

Governmental Activities	Balance 1-1-23	Additions	Deletions	Balance 12-31-23
Capital Assets Not Being Depreciated:				
Land	\$ 4,689	\$ -	\$ -	\$ 4,689
Total Capital Assets Not Being Depreciated	<u>4,689</u>	<u>-</u>	<u>-</u>	<u>4,689</u>
Capital Assets Being Depreciated:				
Buildings	63,470	-	-	63,470
Machinery & Equipment	69,751	-	-	69,751
Vehicles	68,300	-	-	68,300
Total Capital Assets Being Depreciated	<u>201,521</u>	<u>-</u>	<u>-</u>	<u>201,521</u>
Total Capital Assets	<u>206,211</u>	<u>-</u>	<u>-</u>	<u>206,211</u>
Less Accumulated Depreciation for:				
Buildings	38,180	2,361	-	40,541
Machinery & Equipment	51,225	4,710	-	55,935
Vehicles	66,100	2,200	-	68,300
Total Accumulated Depreciation	<u>155,505</u>	<u>9,271</u>	<u>-</u>	<u>164,776</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 50,706</u>			<u>\$ 41,434</u>

D. ACCOUNTS PAYABLE:

Payables in the general, major governmental funds are composed almost entirely of payable to vendors.

E. LONG-TERM LIABILITIES

Changes in long-term liabilities during the year were as follows:

	12/31/22	Net Annual Change	12/31/23
Compensated Absences	\$ 42,983	\$ (32,687)	\$ 10,296

During 2023, a former employee qualified for a severance payout of up to 800 hours of unused accumulated vacation, sick leave and/or compensatory leave. That payout resulted in the decreased liability as of December 31, 2023.

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

NOTE 4. OTHER INFORMATION

A. RISK MANAGEMENT

The SWCD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The SWCD participates in the Minnesota Counties Intergovernmental Trust to provide its general liability and property coverage. The Minnesota County Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for participating Minnesota counties.

Participants of Minnesota Counties Intergovernmental Trust are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to participating counties if a deficiency occurs. The Minnesota Counties Intergovernmental Trust is self-sustaining through member premiums and re-insures through commercial companies for excess claims. The SWCD is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

As of December 31, 2023, the SWCD did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The SWCD has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the SWCD participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning authority, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as the result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The SWCD is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of a potential litigation cannot be predicted, due to the insurance coverage maintained by the SWCD, the SWCD feels that the settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the SWCD.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The SWCD participates in a 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.

General Employees Retirement Plan

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

B. 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.

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

B. BENEFITS PROVIDED (Continued)

General Employees Plan Benefits

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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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 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 1.0 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. CONTRIBUTIONS

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

General Employees Fund Contribution

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the SWCD was required to contribute 7.50% for Coordinated Plan members. The SWCD's contributions to the General Employees Fund for the year ended December 31, 2023, 2022 and 2021 were \$18,075, \$19,931 and \$18,837, respectively. The SWCD's contributions were equal to the required contributions as set by state statute.

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

D. PENSION COSTS

General Employees Fund Pension Costs

At December 31, 2023, the SWCD reported a liability of \$190,124 for its proportionate share of the General Employees Fund's net pension liability. The SWCD's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2023. 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 SWCD totaled \$5,250. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The SWCD's proportionate share of the net pension liability was based on the SWCD's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The SWCD's proportion was .0034% at the end of the measurement period and .0034% for the beginning of the period.

SWCD's proportionate share of the net pension liability	\$190,124
State of Minnesota's proportionate share of the net pension liability associated with the SWCD	<u>5,250</u>
Total	<u>\$195,374</u>

For the year ended December 31, 2023 the SWCD recognized pension expense of \$4,987 for its proportionate share of the General Employees Plan's pension expense. In addition, the SWCD recognized an additional \$24 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, 2023, the SWCD reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 6,244	\$ 1,310
Changes in Actuarial Assumptions	30,779	52,111
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,530
Changes in Proportion	-	5,995
Employer Contributions Subsequent to the Measurement Date	<u>8,560</u>	<u>-</u>
Totals	<u>\$ 45,583</u>	<u>\$ 65,946</u>

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

D. PENSION COSTS (Continued)

General Employees Fund Pension Costs (Continued)

\$8,560 reported as deferred outflows of resources related to pensions resulting from SWCD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2024	(\$744)
2025	(\$28,495)
2026	\$4,439
2027	(\$4,123)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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%	

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2023 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 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of nation investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 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.

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 adjustment 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial evaluation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions:

- An additional one-time directed state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on this assumption, 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.

H. PENSION LIABILITY SENSITIVITY

The following presents the SWCD 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 SWCD'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 (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
SWCD proportionate share of the General Employees Fund net pension liability:	\$336,345	\$190,124	\$69,852

I. 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.

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

NOTE 6. DEFINED CONTRIBUTION PLAN

Three SWCD Board members are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees' contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the SWCD during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$281	\$281	5%	5%	5%

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year <u>Ending</u>	Statutorily Required <u>Contribution (a)</u>	Contributions in Relation to the Statutorily Required <u>Contribution (b)</u>	Contribution Deficiency <u>(Excess) (a-b)</u>	Covered- Employee <u>Payroll (d)</u>	Contributions as a Percentage of Covered-Employee <u>Payroll (b/d)</u>
December 31, 2023	18,075	18,075	-	240,994	7.50%
December 31, 2022	19,931	19,931	-	265,750	7.50%
December 31, 2021	18,837	18,837	-	251,163	7.50%
December 31, 2020	20,369	20,369	-	271,585	7.50%
December 31, 2019	19,361	19,361	-	258,151	7.50%
December 31, 2018	18,260	18,260	-	243,459	7.50%
December 31, 2017	15,399	15,399	-	205,320	7.50%
December 31, 2016	15,296	15,296	-	203,951	7.50%
December 31, 2015	11,188	11,188	-	149,175	7.50%

Note- Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Employer (b)	Employer's Proportionate Share (Amount) of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0034%	190,124	5,250	195,374	270,107	72.33%	83.10%
June 30, 2022	0.0034%	269,281	7,895	277,176	257,865	107.49%	76.70%
June 30, 2021	0.0034%	145,195	4,429	149,624	244,578	61.18%	87.00%
June 30, 2020	0.0038%	227,827	6,995	234,822	271,603	86.46%	79.10%
June 30, 2019	0.0035%	193,507	6,000	199,507	249,963	79.81%	80.20%
June 30, 2018	0.0035%	194,166	6,343	200,509	233,125	86.01%	79.50%
June 30, 2017	0.0031%	197,902	2,502	200,404	200,777	99.81%	75.90%
June 30, 2016	0.0028%	227,346	2,931	230,277	174,250	132.15%	68.90%
June 30, 2015	0.0025%	129,563	-	129,563	144,591	89.61%	78.20%

Note- Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions:

- An additional one-time directed state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% 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 years 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.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

- 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- 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 Changes

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- 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 4.0 percent to 3.0 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.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

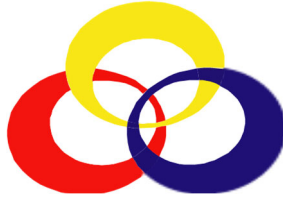
2015 Changes

Changes in Plan Provisions:

- 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.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.



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Certified Public Accountants

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

Governing Board
Yellow Medicine Soil and Water Conservation District
Clarkfield, MN 56223

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 the Yellow Medicine Soil and Water Conservation District, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Yellow Medicine Soil and Water Conservation District, Minnesota's basic financial statements and have issued our report thereon dated August 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Yellow Medicine Soil and Water Conservation District, Minnesota's internal control over financial reporting (internal control) to determine the 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 Yellow Medicine Soil and Water Conservation District, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Yellow Medicine Soil and Water Conservation District, Minnesota's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Prior and Current Findings and Responses, as item 2023-001, to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Findings and Responses, we identified a deficiency in internal control that we consider to be a material weakness.

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Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Yellow Medicine Soil and Water Conservation District, Minnesota'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 statement amounts. 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*.

Yellow Medicine Soil and Water Conservation District, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Yellow Medicine Soil and Water Conservation District, Minnesota's response to the findings identified in our audit and described in the accompanying Schedule of Prior and Current Findings and Responses. Yellow Medicine Soil and Water Conservation District, Minnesota'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.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Yellow Medicine Soil and Water Conservation District failed to comply with the provisions of the contract and bidding, deposits and investments, conflicts of interest, claims and disbursements and miscellaneous provisions sections of the Minnesota Legal Compliance Audit Guide for Political Subdivision, promulgated by the State Auditor pursuant to Minn. Stat. § 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 Yellow Medicine Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
August 15, 2024

YELLOW MEDICINE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PRIOR AND CURRENT AUDIT
FINDINGS AND RESPONSES
DECEMBER 31, 2023

CURRENT YEAR FINDINGS

2023-001 Finding: Segregation of Duties

Condition: The District has limited personnel available to perform accounting duties.

Criteria: Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.

Cause: The District has a limited number of accounting personnel.

Effect of Condition: As a result of lack of segregation personnel are performing duties which, for internal control purposes, should be performed by a separate individual.

Recommendation: This is not unusual in Districts of this size. The District's board should be aware of this condition and monitor duties of District personnel.

Response: We concur with the recommendation. The District's board will monitor duties.

STATUS OF PRIOR AUDIT FINDINGS

Finding 2022-001: A material weakness was reported due to the lack of segregation of duties within the organization. This finding continues to exist and has been restated as Finding 2023-001.