

**AITKIN COUNTY SOIL AND WATER  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2024**

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
AITKIN, MINNESOTA  
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DECEMBER 31, 2024**

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**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
AITKIN, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2024**

<b><u>TITLE</u></b>	<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Chair	Franklin Turnock	12/31/2024
Vice-Chair	Dan Gravley	12/31/2024
Treasurer	Robert Janzen	12/31/2024
Secretary	Francis Dierickx	12/31/2024
Board Member	Tom Fasteland	12/31/2026

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Aitkin County Soil and Water Conservation District  
Aitkin, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund of Aitkin County Soil and Water Conservation District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Aitkin County Soil and Water Conservation District's basic financial statements as listed in the table of contents.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Aitkin County Soil and Water Conservation District, as of December 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Aitkin County Soil and Water Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. The District did not maintain adequate records to support unearned revenue balances reported in the accompanying financial statements. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the unearned revenue of the general and special revenue funds as of and for the year ended December 31, 2024. The amounts recorded for unearned revenue may require adjustment.

#### *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 Aitkin County Soil and Water Conservation District'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.

## ***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 GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 Aitkin County Soil and Water Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aitkin County Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 19-20, the defined benefit pension plan schedules on page 21, and the notes to the required supplementary information on pages 22-24 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Management is responsible for the other information. The other information comprises the district's organizational information under the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025, on our consideration of Aitkin County Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aitkin County Soil and Water Conservation District's internal control over financial reporting and compliance.

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

November 21, 2025

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**AITKIN, MINNESOTA**  
**GOVERNMENTAL FUNDS BALANCE SHEET AND**  
**STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2024**

	General Fund	WBIF	Adjustments	Governmental Activities
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 324,677	\$ 666,184	\$ -	\$ 990,861
Accounts Receivables	4	-	-	4
Due from Other Governments	36,360	-	-	36,360
Capital Assets:				
Property and Equipment, net	-	-	34,243	34,243
<b>Total Assets</b>	<b>361,041</b>	<b>666,184</b>	<b>34,243</b>	<b>1,061,468</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Defined Benefit Pension Plan	-	-	28,580	28,580
 <b>COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 361,041</b>	<b>\$ 666,184</b>	<b>\$ 62,823</b>	<b>\$ 1,090,048</b>
 <b>LIABILITIES</b>				
Current Liabilities:				
Accrued Wages	\$ 20,431	\$ -	\$ -	\$ 20,431
Sales Tax Payable	962	-	-	962
Deposits on Sales	2,375	-	-	2,375
Unearned Revenue	243,909	666,184	-	910,093
<b>Total Current Liabilities</b>	<b>267,677</b>	<b>666,184</b>	<b>-</b>	<b>933,861</b>
Long-term Liabilities:				
Net Pension Liability	-	-	160,301	160,301
Compensated Absences	-	-	31,444	31,444
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>191,745</b>	<b>191,745</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Defined Benefit Pension Plan	-	-	113,598	113,598
 <b>COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 267,677</b>	<b>\$ 666,184</b>	<b>\$ 305,343</b>	<b>\$ 1,239,204</b>
 <b>FUND BALANCE/NET POSITION</b>				
Fund Balance:				
Unassigned	\$ 93,364	\$ -	\$ (93,364)	\$ -
<b>Total Fund Balance</b>	<b>\$ 93,364</b>	<b>\$ -</b>	<b>\$ (93,364)</b>	<b>\$ -</b>
Net Position:				
Investments in Capital Assets			\$ 34,243	\$ 34,243
Unrestricted			(183,399)	(183,399)
<b>Total Net Position</b>			<b>\$ (149,156)</b>	<b>\$ (149,156)</b>

See accompanying Notes to the Financial Statements.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
AITKIN, MINNESOTA  
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND  
STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

	General Fund	WBIF	Adjustments	Governmental Activities
<b>REVENUES</b>				
Intergovernmental	\$ 799,091	\$ 80,143	\$ 7,375	\$ 886,609
Charges for Services	19,790	-	-	19,790
Interest Earnings	2,502	-	-	2,502
Miscellaneous	300	-	-	300
Total Revenues	<u>821,683</u>	<u>80,143</u>	<u>7,375</u>	<u>909,201</u>
<b>EXPENDITURES/EXPENSES</b>				
Conservation:				
Current	1,000,488	80,143	(2,445)	1,078,186
Capital Outlay	19,532	-	(19,532)	-
Total Expenditures/Expenses	<u>1,020,020</u>	<u>80,143</u>	<u>(21,977)</u>	<u>1,078,186</u>
<b>EXCESS OF REVENUES OVER/UNDER EXPENDITURES</b>	(198,337)	-	29,352	(168,985)
Fund Balance/Net Position - Beginning of Year	<u>291,701</u>	<u>-</u>	<u>(271,872)</u>	<u>19,829</u>
<b>FUND BALANCE/NET POSITION - END OF YEAR</b>	<u>\$ 93,364</u>	<u>\$ -</u>	<u>\$ (242,520)</u>	<u>\$ (149,156)</u>

See accompanying Notes to the Financial Statements.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Aitkin County Soil and Water Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The significant accounting policies used by the District are discussed below.

Financial Reporting Entity

The Aitkin County Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors, nominated by, and elected to four-year terms by the voters of Aitkin County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no organizations that should be presented with the District.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *special revenue fund* accounts for all activities associated with a Watershed Based Implementation Fund (WBIF) for the Mississippi Watershed Brainerd joint powers agreement for the management, restoration, and protection of resources within the area.

Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District's net position is reported as restricted and unrestricted. The statement of activities demonstrates the degree to which the expenses of the District are offset by revenues.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The District considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources, when applicable.

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

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

Cash and Cash Equivalents

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 and Due from Other Governments

Receivables are collectible within one year. The financial statements contain no allowance for uncollectible accounts. Uncollectible accounts due for receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

Due from other governments are recorded for state and local grant amounts that were received after year-end and all eligibility requirements were met.

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the 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 7 years, Vehicles are 5 years, and Office Equipment and Furniture are 3 to 5 years. The District uses the threshold of \$1,500 for capitalizing assets purchased.

Unearned Revenue

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Compensated Absences

Under the District's personnel policies, employees are granted vacation and sick leave pay in varying amounts based on their length of service.

All 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 pay will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave pay liabilities at December 31, 2024 are determined on the basis of current salary rates and include salary related payments.

Pensions

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Non-spendable fund balance represents amounts that are inherently non-spendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the government imposes upon itself by a high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or government body delegated to exercise such authority in accordance with the policy established by the Board. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Fund Balance (Continued)

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

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide statement of net position. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position is the residual classification for the Governmental Activities Fund and includes all spendable amounts not contained in the other classifications.

Use of Estimates

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

Explanation of Adjustments Column in Statements

Capital Assets: In the Governmental Funds Balance Sheet and Statement of Net Position of Governmental Activities, an adjustment is made if the District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date and reconciles to the amount reported in Note 3 on Capital Assets.

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

Depreciation, Net Pension Expense and Change in Compensated Absences for the year: In the Governmental Funds Revenues, Expenditures and Changes in Fund Balance and Statement of Activities of Governmental Activities, 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.

Change in Accounting Principle

Effective January 1, 2024, the District adopted GASB 101, *Compensated Absences*. The new standard aligns the recognition and measurement under a unified model and by amending certain previously required disclosures. The District already had a policy in place for this; therefore, this has no effect on them.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 2 – DEPOSITS**

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

Custodial Credit Risk - Deposits

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

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

As of December 31, 2024, the District's deposits were not exposed to custodial credit risk.

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2024, was as follows:

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment and Vehicles	\$ 141,134	\$ 19,532	\$ -	\$ 160,666
Less: Accumulated Depreciation	107,386	19,037	-	126,423
Net Capital Assets	<u>\$ 33,748</u>			<u>\$ 34,243</u>

Current year depreciation is \$19,037.

**NOTE 4 – UNEARNED REVENUE**

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and from the County for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the general fund for the year ended December 31, 2024, consisted of the following: Local Capacity \$71,351; Wetland Conservation Act \$6,292; Conservation Delivery \$20,212; Conservation Contracts \$6,516; County Local Water Management \$20,302; Soil Health Staffing \$99,236; Soil Health Delivery \$10,000; Buffer Law \$10,000 Total \$243,909.

Unearned revenue for the special revenue fund for the year ended December 31, 2024, consists of the following: Mississippi Watershed Brainerd Implementation \$666,184. Grant total between funds is \$910,093.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**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, 2024:

	January 1, 2024	Increases	Decreases	December 31, 2024
Net Pension Liability	\$ 251,635	\$ -	\$ 91,334	\$ 160,301
Compensated Absences*	45,491	-	14,047	31,444
Total	<u>\$ 297,126</u>	<u>\$ -</u>	<u>\$ 105,381</u>	<u>\$ 191,745</u>

\*The change in the compensated absences liability is presented as a net change.

Vacation and Sick Leave Pay

Vacation leave accrual varies from 4 to 21 hours per month. Sick leave accrual is 12 days per year. There is no limit on the accumulation of vacation leave hours and the limit on the accumulation of sick leave hours is 192. Upon termination of employment from the District, employees are paid accrued vacation leave and sick leave hours. Upon termination of employment from the District with cause, employees are only paid accrued vacation leave.

Compensated Absences Payable

The amount of the estimated obligation at December 31, 2024 was \$31,444.

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; workers' compensation claims; or natural disasters. The District has entered into an agreement with the Minnesota Counties Intergovernmental Trust (MCIT) to cover its liabilities for workers compensation and property and casualty. There were no significant reductions of insurance coverage from the prior year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2024 annual increase was 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. 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 prorated increase.

Contributions

*Minnesota Statutes* Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for General Plan members. The District’s contributions to the General Employees Fund for the year ended December 31, 2024, were \$26,735. The District’s contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2024, the District reported a liability of \$160,301 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$4,145.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Pension Costs (Continued)

District's proportionate share of the net pension liability	\$	160,301
State of Minnesota's proportionate share of the net pension liability associated with the District		4,145
Total	\$	164,446

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0043 percent at the end of the measurement period and .0045 percent for the beginning of the period.

For the year ended December 31, 2024, the District recognized a pension credit of \$14,810 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$111 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.10 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.10 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$7,375 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,239	\$ 242
Changes in actuarial assumptions	794	62,346
Net difference between projected and actual earnings on pension plan investments	-	43,319
Changes in proportion	-	7,691
Employer contributions subsequent to the measurement date	12,547	-
Total	\$ 28,580	\$ 113,598

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Pension Costs (Continued)

The \$12,547 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount	
2025	\$	(52,840)
2026		(11,229)
2027		(21,847)
2028		(11,649)

Long-Term Expected Return on Investment

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

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

Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the 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 7.00 percent. The 7.00 percent is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the GERP net pension liability:	\$ 350,123	\$ 160,301	\$ 4,155

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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](http://www.mnpera.org).

**NOTE 8 – 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 9 – JOINT POWERS AGREEMENT**

In 2024, the Aitkin County Soil and Water Conservation District joined together with other planning partners located in the Mississippi River-Brainerd area to submit a nomination to pilot a Watershed Based Implementation Fund (WBIF). The four-county watershed planning area includes portions of Aitkin, Crow Wing, Todd, and Morrison counties that drain to the Mississippi River.

With the development of the Mississippi Watershed Brainerd Implementation, the Counties of Aitkin, Crow Wing, Morrison, and Todd by and through their respective County Boards of Commissioners, and the Morrison, Todd, Crow Wing, and Aitkin County Soil and Water Conservation District (SWCDs) by and through their respective SWCD Board of Supervisors entered into a joint powers agreement pursuant to Minnesota Statutes Chapter 471.59.

This agreement does not establish a joint powers entity but sets out the terms and provisions by which the parties will continue the cooperative and collaborative work of the Counties and SWCDs with the Board of Water and Soil Resources (BWSR) in an advisory capacity for the continued planning and implementation of the Mississippi Watershed Brainerd Implementation in the future.

**NOTE 10 – RECONCILIATION OF FUND BALANCE TO NET POSITION**

Governmental Fund Balance, January 1	\$	291,701
Less: Excess of Expenditures over Revenues		(198,337)
Governmental Fund Balance, December 31	\$	93,364
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	\$	34,243
Plus: Deferred Outflows of Resources		28,580
Less: Long-Term Liabilities		(191,745)
Less: Deferred Inflows of Resources		(113,598)
Net Position	\$	(149,156)

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 11 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION**

Change in Fund Balance	\$	(198,337)
Capital Outlay		19,532
Pension Credit, net		14,810
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(19,037)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		<u>14,047</u>
Change in Net Position	<u>\$</u>	<u>(168,985)</u>

**NOTE 12 – SUBSEQUENT EVENTS**

The District has evaluated events and transactions for potential recognition or disclosure through November 21, 2025, the date the financial statements were available to be issued.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**AITKIN, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL**  
**YEAR ENDED DECEMBER 31, 2024**

	Original/ Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental:			
County	\$ 422,304	\$ 278,789	\$ (143,515)
Local	95,500	15,661	(79,839)
Federal	65,000	105,780	40,780
State Grants	301,951	398,861	96,910
Total Intergovernmental	<u>884,755</u>	<u>799,091</u>	<u>(85,664)</u>
Charges for Services	12,200	19,790	7,590
Interest Earnings	200	2,502	2,302
Miscellaneous	-	300	300
Total Revenues	<u>897,155</u>	<u>821,683</u>	<u>(75,472)</u>
<b>EXPENDITURES</b>			
District Operations:			
Personnel Services	539,300	459,992	79,308
Other Services and Charges	23,345	75,976	(52,631)
Supplies	7,200	6,666	534
Capital Outlay	-	19,532	(19,532)
Total District Operations	<u>569,845</u>	<u>562,166</u>	<u>7,679</u>
Project Expenditures:			
District	5,625	9,145	(3,520)
Federal	30,000	61,818	(31,818)
Local	23,250	22,179	1,071
County	253,421	270,518	(17,097)
State	22,300	94,194	(71,894)
Total Project Expenditures	<u>334,596</u>	<u>457,854</u>	<u>(123,258)</u>
Total Expenditures	<u>904,441</u>	<u>1,020,020</u>	<u>(115,579)</u>
<b>EXCESS OF REVENUES OVER/UNDER EXPENDITURES</b>	(7,286)	(198,337)	(191,051)
Fund Balance - Beginning of Year	<u>291,701</u>	<u>291,701</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 284,415</u>	<u>\$ 93,364</u>	<u>\$ (191,051)</u>

See accompanying Notes to the Required Supplementary Information.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**AITKIN, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE - WBIF**  
**YEAR ENDED DECEMBER 31, 2024**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Intergovernmental:			
State Grants	\$ 113,300	\$ 80,143	\$ (33,157)
Total Intergovernmental	<u>113,300</u>	<u>80,143</u>	<u>(33,157)</u>
 Total Revenues	 <u>113,300</u>	 <u>80,143</u>	 <u>(33,157)</u>
 <b>EXPENDITURES</b>			
District Operations:			
Personnel Services	-	4,973	(4,973)
Total District Operations	<u>-</u>	<u>4,973</u>	<u>(4,973)</u>
 Project Expenditures:			
State	106,300	75,170	31,130
Total Project Expenditures	<u>106,300</u>	<u>75,170</u>	<u>31,130</u>
 Total Expenditures	 <u>106,300</u>	 <u>80,143</u>	 <u>26,157</u>
 <b>EXCESS OF REVENUES OVER/UNDER EXPENDITURES</b>	 7,000	 -	 (7,000)
 Fund Balance - Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>FUND BALANCE - END OF YEAR</b>	 <u><u>\$ 7,000</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (7,000)</u></u>

See accompanying Notes to the Required Supplementary Information.

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

**SCHEDULE OF CONTRIBUTIONS  
GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2024**

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	\$ 13,370	\$ 13,370	\$ -	\$ 178,275	7.50%
2016	\$ 21,173	\$ 21,173	\$ -	\$ 282,308	7.50%
2017	\$ 22,992	\$ 22,992	\$ -	\$ 306,563	7.50%
2018	\$ 24,734	\$ 24,734	\$ -	\$ 329,791	7.50%
2019	\$ 21,598	\$ 21,598	\$ -	\$ 287,976	7.50%
2020	\$ 22,926	\$ 22,926	\$ -	\$ 305,680	7.50%
2021	\$ 23,696	\$ 23,696	\$ -	\$ 315,942	7.50%
2022	\$ 25,407	\$ 25,407	\$ -	\$ 338,756	7.50%
2023	\$ 27,275	\$ 27,275	\$ -	\$ 363,669	7.50%
2024	\$ 26,735	\$ 26,735	\$ -	\$ 356,461	7.50%

\* 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, 2024**

Fiscal Year Ending	Employer's Proportion of Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0026%	\$ 134,745	\$ -	\$ 134,745	\$ 161,167	83.61%	78.19%
2016	0.0038%	\$ 308,541	\$ 4,082	\$ 312,623	\$ 236,932	131.95%	68.90%
2017	0.0046%	\$ 293,661	\$ 3,681	\$ 297,342	\$ 295,313	100.69%	75.90%
2018	0.0051%	\$ 282,926	\$ 9,162	\$ 292,088	\$ 326,485	89.46%	79.50%
2019	0.0042%	\$ 232,208	\$ 7,333	\$ 239,541	\$ 300,343	79.76%	80.20%
2020	0.0042%	\$ 251,808	\$ 7,712	\$ 259,520	\$ 295,394	87.86%	79.10%
2021	0.0043%	\$ 183,628	\$ 5,568	\$ 189,196	\$ 310,699	60.89%	87.00%
2022	0.0044%	\$ 348,480	\$ 10,151	\$ 358,631	\$ 327,644	109.46%	76.70%
2023	0.0045%	\$ 251,635	\$ 6,901	\$ 258,536	\$ 347,949	74.30%	83.10%
2024	0.0043%	\$ 160,301	\$ 4,145	\$ 164,446	\$ 366,983	44.81%	89.10%

\* The amounts presented for each fiscal year were determined June 30.

See accompanying Notes to the Required Supplementary Information.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2024**

**NOTE 1 – DEFINED BENEFIT PENSION PLAN – CHANGES IN ACTUARIAL METHODS AND ACTUARIAL ASSUMPTIONS**

The following changes were reflected in the valuation of the General Employees Retirement Plan performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

2024 -

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

2023 -

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2022 -

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

2021 -

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

2020 -

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2024**

**NOTE 1 – DEFINED BENEFIT PENSION PLAN – CHANGES IN ACTUARIAL METHODS AND ACTUARIAL ASSUMPTIONS (CONTINUED)**

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

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

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

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

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

**NOTE 2 – DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS**

The following changes were reflected in the valuation of the General Employees Retirement Plan performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

2024 –The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 –

- An additional one-time direct state aid contribution of \$170.10 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 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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

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

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2024**

**NOTE 2 – DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS (CONTINUED)**

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 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets for the general fund and the WBIF fund 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 both funds. 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.

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$1,020,020; Budget \$904,441; Excess \$115,579.

**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

To the Board of Supervisors  
Aitkin County Soil and Water Conservation District  
Aitkin, 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 each major fund of Aitkin County Soil and Water Conservation District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Aitkin County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated November 21, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Aitkin County Soil and Water Conservation District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Aitkin County Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

November 21, 2025

**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  
Aitkin County Soil and Water Conservation District  
Aitkin, 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 each major fund of Aitkin County Soil and Water Conservation District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Aitkin County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated November 21, 2025.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Aitkin 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 Aitkin County Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Aitkin County Soil and Water Conservation District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-003, that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Aitkin County Soil and Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Aitkin County Soil and Water Conservation District's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the internal control findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Aitkin County Soil and Water Conservation District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

November 21, 2025

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2024**

**2024-001: Segregation of Duties**

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

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

**Cause:** The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective matter.

**Effect:** Without sufficient segregation of duties, the risk significantly increases that errors and fraud, including misappropriation of assets, could occur and not be detected within a timely basis.

**Prior Year Finding:** Yes, 2023-001.

**Recommendation:** Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. 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.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2024**

**2024-002: Financial Statement Presentation**

**Criteria:** The District's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with generally accepted accounting principles.

**Condition and Context:** As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. Management has accepted responsibility for the financial statements and reviewed them.

**Cause:** The District has a limited number of personnel with financial reporting experience.

**Effect:** The design of the controls over the financial reporting process would affect the ability of the District to report its financial data consistently with the assertions of the management in the financial statements.

**Prior Year Finding:** Yes, 2023-002.

**Recommendation:** We recommend that the District be aware of the requirements for fair presentation of the financial statements in accordance with the generally accepted accounting principles. Should the District elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation of an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us; complete the disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

**Management Response:** The District understands that this is required communications for the preparation of the financial statements.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2024**

**2024-003: Audit Adjustments**

**Criteria:** The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions, including account coding, reporting of accruals, and net position.

**Condition and Context:** As part of the audit, we proposed adjustments and reclassified transactions to the proper accounts for preparing note disclosures. Management has reviewed and approved the audit adjustments.

**Cause:** The District has a limited number of personnel with financial reporting experience.

**Effect:** The design of the internal controls over recording transactions and year-end accruals limits the ability of the District to provide accurate accrual basis financial information.

**Prior Year Finding:** No.

**Recommendation:** We recommend that District management be constantly aware of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

**Management Response:** The District will continue to work at eliminating the need for audit adjustments.