

**AITKIN COUNTY SOIL AND WATER
CONSERVATION DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023**

AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT

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INTRODUCTORY SECTION

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
PRINCIPAL DISTRICT OFFICIALS
DECEMBER 31, 2023**

POSITION	NAME
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ELECTED OFFICIALS

Chair	Wayne Anderson
Vice-Chair/Treasurer	Robert Janzen
Secretary	Franklin Turnock
Reporter	Tom Fasteland
Supervisor	Dan Gravley

APPOINTED OFFICIAL

District Manager	Janet Smude
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aitkin County Soil and Water Conservation District
Aitkin, Minnesota

Opinion

We have audited the financial statements of the governmental activities and the General Fund of Aitkin County Soil and Water Conservation District, Minnesota (the District), as of and for the year ended December 31, 2023, and the related note to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the respective financial position of the governmental activities and the General Fund of the Aitkin County Soil and Water Conservation District, Minnesota, as of December 31, 2023, 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 Opinion

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

Responsibilities of Management for the Financial Statements

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 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 generally accepted 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 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 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 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 the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis of pages 5-7, the Schedule of Contributions GERS and Proportionate Share of Net Pension Liability GERS on pages 23-24, and the related notes to required supplementary information on pages 25-27, 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, 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 included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated October 31, 2024, on our consideration of the District's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. The purpose of the report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Clasen + Schiessl CPAs, Ltd.

Clasen & Schiessl CPAs, Ltd.

Pequot Lakes, Minnesota
October 31, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Management Discussion and Analysis

The Aitkin County Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 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 District's financial statements.

Using This Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since District's are single-purpose, special purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position — the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources — as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the state and local government funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from the county and state finance most activities.

Reporting the District's General Fund

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund—not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

The District As a Whole

Our analysis focuses on the net position and change in net position of the District's governmental activities.

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 668,176	\$ 667,267
Capital assets	33,748	53,024
Total Assets	<u>701,924</u>	<u>720,291</u>
Deferred Outflows of Resources	<u>170,720</u>	<u>237,602</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 872,644</u>	<u>\$ 957,893</u>
Liabilities		
Other liabilities	\$ 376,475	\$ 480,101
Long-term liabilities	297,126	360,436
Total Liabilities	<u>673,601</u>	<u>840,537</u>
Deferred Inflows of Resources	<u>179,214</u>	<u>135,111</u>
Total Liabilities and Deferred Inflows of Resources	<u>852,815</u>	<u>975,648</u>
Net Position		
Net investment in capital assets	33,748	53,024
Unassigned	<u>(13,919)</u>	<u>(70,779)</u>
Total Net Position	<u>19,829</u>	<u>(17,755)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 872,644</u>	<u>\$ 957,893</u>

Net position of the District's governmental activities increased by \$37,584. 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 a deficit of \$70,779 at December 31, 2022 to a deficit of \$13,919 at December 31, 2023.

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 39,936	\$ 27,333
Federal grants and entitlements	70,989	-
State grants and entitlements	602,847	271,771
County grants and entitlements	403,020	402,984
Local grants and entitlements	23,495	-
Other program revenues	57	31,077
General revenues		
Other general revenues	463	255
Total Revenues	<u>1,140,807</u>	<u>733,420</u>
Expenses		
Program expenses		
Conservation of Natural Resources	<u>1,103,223</u>	<u>959,105</u>
Total Expenses	<u>1,103,223</u>	<u>959,105</u>
Change in net position	<u>\$ 37,584</u>	<u>\$ (225,685)</u>

The District's total revenues increased by \$407,387. The total cost of all programs and services increased by \$144,118.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

The District's General Fund

As the District completed the year, its general fund as presented in the balance sheet reported a fund balance of \$291,701, which is more than last year's balance of \$187,166.

General Fund Budgetary Highlights

Over the course of the year, the Board of Supervisors did not revise the District's budget.

The actual charges to appropriations (expenditures) were \$109,223 more than the budgeted amounts. The most significant negative variances of \$70,542 and \$284,327 occurred in District and State Project Expenditures, respectively.

Capital Assets

At the end of 2023, the District had \$33,748 invested in net capital assets. This amount represents a net decrease (including additions and deductions) of \$19,276 from last year.

Long-Term Liabilities

At the end of 2023, the District had \$251,635 in Net Pension Liability and \$45,491 in Compensated Absences. This compares to \$348,480 in 2022 for Net Pension Liability and \$11,956 in Compensated Absences.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager at: Aitkin County Soil and Water Conservation District, 307 2nd St NW Room 216, Aitkin, Minnesota 56431.

BASIC FINANCIAL SECTION

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	GENERAL FUND	ADJUSTMENTS	GOVERNMENTAL ACTIVITIES
Assets			
Cash and Cash Equivalents	\$ 588,548	\$ -	\$ 588,548
Grants Receivable	79,628	-	79,628
Capital Assets			
Equipment (net of accumulated depreciation)	-	33,748	33,748
Total Assets	668,176	33,748	701,924
Deferred Outflows of Resources			
Defined Benefit Pension Plan	-	170,720	170,720
Total Assets and Deferred Outflows of Resources	\$ 668,176	\$ 204,468	\$ 872,644
Liabilities			
Current Liabilities			
Accounts Payable	\$ 48,172	\$ -	\$ 48,172
Accrued Payroll Taxes	3,895	-	3,895
Sales Tax Payable	814	-	814
Unearned Revenue	320,024	-	320,024
Tree Sale Deposits	3,570	-	3,570
Long-Term Liabilities			
Net Pension Liability	-	251,635	251,635
Compensated Absences	-	45,491	45,491
Total Liabilities	376,475	297,126	673,601
Deferred Inflows of Resources			
Defined Benefit Pension Plan	-	179,214	179,214
Total Liabilities and Deferred Inflows of Resources	376,475	476,340	852,815
Fund Balance/Net Position			
Fund Balance			
Unassigned	291,701	(291,701)	-
Total Fund Balance	\$ 291,701	(291,701)	-
Net Position			
Net Investments in Capital Assets		33,748	33,748
Unrestricted		(13,919)	(13,919)
Total Net Position		\$ 19,829	\$ 19,829

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	<u>GENERAL</u>	<u>ADJUSTMENTS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Revenues			
Intergovernmental	\$ 1,100,351	\$ 31	\$ 1,100,382
Charges for Services	39,936	-	39,936
Interest Earnings	432	-	432
Miscellaneous	57	-	57
Total Revenues	<u>1,140,776</u>	<u>31</u>	<u>1,140,807</u>
Expenditures/Expenses			
Conservation of Natural Resources			
Current	1,034,591	68,632	1,103,223
Capital Outlay	1,650	(1,650)	-
Total Expenditures/Expenses	<u>1,036,241</u>	<u>66,982</u>	<u>1,103,223</u>
Excess of Revenues Over/(Under) Expenditures/Expenses	<u>104,535</u>	<u>(66,951)</u>	<u>37,584</u>
Fund Balance/Net Position - Beginning	<u>187,166</u>	<u>(204,921)</u>	<u>(17,755)</u>
Fund Balance/Net Position - Ending	<u>\$ 291,701</u>	<u>\$ (271,872)</u>	<u>\$ 19,829</u>

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON STATEMENT - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental				
Federal Sources	\$ 100,000	\$ 100,000	\$ 70,989	\$ (29,011)
State Sources	286,991	286,991	602,847	315,856
County Sources	421,026	421,026	403,020	(18,006)
Local Sources	39,434	39,434	23,495	(15,939)
Charges for Services	58,900	58,900	39,936	(18,964)
Investment Earnings	150	150	432	282
Miscellaneous	10,000	10,000	57	(9,943)
	<u>916,501</u>	<u>916,501</u>	<u>1,140,776</u>	<u>224,275</u>
EXPENDITURES				
District Operations				
Personnel Services	460,978	460,978	175,298	285,680
Other Services and Charges	37,200	37,200	73,048	(35,848)
Supplies	3,000	3,000	5,536	(2,536)
Capital Outlay	-	-	1,650	(1,650)
Total District Operations	<u>501,178</u>	<u>501,178</u>	<u>255,532</u>	<u>245,646</u>
Project Expenditures				
District	231,400	231,400	301,942	(70,542)
State	194,440	194,440	478,767	(284,327)
Total Project Expenditures	<u>425,840</u>	<u>425,840</u>	<u>780,709</u>	<u>(354,869)</u>
	<u>927,018</u>	<u>927,018</u>	<u>1,036,241</u>	<u>(109,223)</u>
Excess of Revenues Over/(Under) Expenditures	(10,517)	(10,517)	104,535	115,052
Fund Balance - Beginning of Year	<u>187,166</u>	<u>187,166</u>	<u>187,166</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 176,649</u>	<u>\$ 176,649</u>	<u>\$ 291,701</u>	<u>\$ 115,052</u>

AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Aitkin County Soil and Water Conservation District conform to accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statements, which changes the way both the statement of net position and the statement of activities are reported.

A. Financial Reporting Entity

The District is organized under provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

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

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

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

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

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

B. Basis of Presentation – Fund Accounting

The accounts of Aitkin County Soil and Water Conservation District are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

- Governmental Fund: General Fund
The General Fund is used to account for all revenue and expenditures incurred in operating the District.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources

AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Government-Wide Financial Statements (Continued)

measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

D. Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when the liability is incurred under accrual accounting.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditure is incurred. The District also receives an annual appropriation from the County, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

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

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

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

E. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Capital assets are reported on a net (depreciated) basis. Capital assets are valued at historical or estimated historical cost.

Liabilities – Long-term liabilities, such as compensated absences, are accounted for as an adjustment of net position.

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

Classification of Net Position – Net position in government-wide financial statements is classified into the following categories:

Net investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts are recognized over a four or five-year period.

AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflow of Resources and Net Position
(Continued)

Pension Plan – 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 benefits payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Classification of Fund Balances - Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable fund balances cannot be spent either because they are not in a spendable form (i.e. inventories or prepaid amounts), or they are legally or contractually required to be maintained intact.

Restricted fund balance indicates amounts that can only be used for specific purposes because of (a) constitutional provisions or (b) externally imposed constraints.

Committed fund balances can only be used for specific purposes imposed by formal action (resolution) of the District. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specific use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned fund balances are intended to be used for specific purposes but they do not meet the criteria to be classified as restricted or committed.

Unassigned fund balances are the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

H. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on length of service. Vacation leave accrual varies from 4 to 21 hours per month. Sick leave accrues at 12 days per year. The limit on vacation accumulation is unlimited and for sick leave is 192 hours.

Upon separation from the District employees are paid accrued vacation leave and up to 192 hours of accrued sick leave. On termination of employment, with cause, employees are paid accrued vacation and no hours of accrued sick leave.

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Explanation of Adjustments Column in Statements

Long-Term Liabilities – In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the Net Pension Liability and compensated absences the District has as of the report date.

Statement of Depreciation and Pension Expense - In the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus/minus the change in Net Pension Liability between the reporting year and previous year.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Disclosure of certain information concerning individual funds includes:

Budgetary noncompliance disbursements were incurred in excess of appropriations in the following Governmental Fund:

	Budgeted Expenditures	Actual Expenditures
General	\$ 927,018	\$ 1,036,241

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS

Minnesota Statutes § 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. Minnesota Statute § 118A.03 requires that all District deposits be covered by insurance, surety bond or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit, plus accrued interest, at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of US government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk - The risk that, in the event of a financial institution failure, the District’s deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, the District’s deposits were entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral in accordance with Minnesota Statutes.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 is as follows:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Vehicles	\$ 42,075	\$ -	\$ -	\$ 42,075
Equipment	97,409	1,650	-	99,059
Less: Accumulated Depreciation	86,460	20,926	-	107,386
Net Capital Assets	<u>\$ 53,024</u>	<u>\$ (19,276)</u>	<u>\$ -</u>	<u>\$ 33,748</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or estimated useful lives of assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 3 to 7 years for vehicles and equipment. Current year depreciation is \$20,926.

The District uses a threshold of \$1,500 for capitalizing assets purchased. Those physical assets under \$1,500 are expensed directly and not capitalized.

NOTE 5 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A. Defined Benefit Pension Plan

Plan Description – The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA’s defined benefit pension plan is 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 District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

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

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Defined Benefit Pension Plan (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced pro rata increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2023 were \$27,275. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2023 the District reported a liability of \$251,635 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 \$6,901.

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 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 dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion share was .0044 percent at the end of the period and .0043 percent for the beginning of the period.

District's proportionate share of net pension liability	\$ 251,635
State of Minnesota's proportionate share of the net pension liability associated with the District	6,901
Total	\$ 258,536

For the year ended December 31, 2023, the District recognized pension expense of \$14,171 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$31 as pension expense (and grant revenue) and for its proportionate share of the State of Minnesota's annual contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the District 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:

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,220	\$ 1,656
Changes in actuarial assumptions	38,962	68,971
Net difference between projected and actual investment earnings	100,628	108,587
Changes in proportion	9,574	-
Contributions paid to PERA subsequent to the measurement date	13,336	-
Total	\$ 170,720	\$ 179,214

A total of \$13,366 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2024	\$ 9,895
2025	(33,405)
2026	7,139
2027	(5,459)
2028	-
Thereafter	-

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. The 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	100.0%	

Actuarial Methods and Assumptions – The total pension liability in the June 30, 2023, actuarial valuation was determined using and 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 in 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees plan was completed in 2022. The assumptions changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

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% to 7.0%.

Changes in plan provisions:

- An additional one-time direct 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.

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 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 Plan 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.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Defined Benefit Pension Plans (Continued)

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

Sensitivity Analysis			
Net Pension Liability at Different Discount Rates			
	1% Lower Discount Rate (6.0%)	Discount Rate (7.0%)	1% Higher Discount Rate (8.0%)
District's proportionate share of the GERS net pension liability	\$ 92,451	\$ 251,635	\$ 445,162

Pension Plan Fiduciary Net Position – Detailed information about the 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.

B. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Four Board Supervisors of the District 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. 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 District during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 775	\$ 775	5%	5%	5%

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of accrued vacation and sick leave payable to employees as of December 31, 2023. Changes for the year ended December 31, 2023 are as follows:

Balance - January 1, 2023	\$ 11,956
Additions/deletions	<u>33,535</u>
Balance - December 31, 2023	<u>\$ 45,491</u>

NOTE 7 REQUIRED DISCLOSURES

County Revenue - Following is a breakdown of revenues received from Aitkin County during the year ended December 31, 2023:

Annual Allocation	\$ 68,849
Aquatic Invasive Species	229,610
Con Funding	50,000
Riparian Aid	30,000
Other County Aid	<u>24,561</u>
Total County Revenue	<u>\$ 403,020</u>

Unearned Revenue - Unearned revenue represents advances from the Board of Water and Soil Resources (BWSR) for the cost-share program and other grants and programs. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2023, consists of the following:

FY21 Cost Share	\$ 828
FY22 Cost Share	2,755
FY23 District Capacity	128,010
FY23 Buffer Law	8,500
State WCA	8,310
Brainerd One Watershed One Plan	32,483
FY 23 Soil and Health Cost Grant	8,104
FY24 Buffer Implementation	10,000
FY24 Conservation Delivery	20,212
FY24 Conservation Contracts	10,000
FY25 Conservation Delivery	20,212
FY25 Conservation Contracts	10,000
2024 Local Water Plan	18,960
2025 Local Water Plan	18,960
2024 WCA	11,345
2025 WCA	<u>11,345</u>
Total Unearned Revenue	<u>\$ 320,024</u>

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and dental coverage; and natural disasters. Property and casualty liabilities and workers compensation are insured through the Minnesota Counties Intergovernmental Trust. The District is covered for errors and omissions through the Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the basic financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three fiscal years.

NOTE 9 CONTINGENCIES

District management is aware of no existing, pending, or threatened legal action against the District at December 31, 2023.

The District has received State grants for specific purposes that are subject to review and audit by the respective agencies. Such audits or reviews could lead to requests for reimbursements for expenditures disallowed under the terms of the grants and loans, however, District management is of the opinion that any such reimbursements would be minor.

NOTE 10 RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance - January 1	\$ 187,166
Plus: Excess of Revenues over Expenditures	<u>104,535</u>
Governmental Fund Balance - December 31	<u>291,701</u>
Adjustment from Fund Balance to Net Position:	
Plus: Capital Assets	33,748
Plus: Deferred Outflows of Resources	170,720
Less: Long-Term Liabilities	(297,126)
Less: Deferred Inflows of Resources	<u>(179,214)</u>
Net Position	<u>\$ 19,829</u>

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

Change in Fund Balance	\$ 104,535
Grant revenue for proportionate share of State of Minnesota's special funding situation	31
Capital outlay	1,650
Pension Expense, net	(14,171)
The cost of capital assets are allocated over the capital assets' useful lives at the government-wide level	(20,926)
In the statement of activities certain operating expenses (including depreciation and compensated absences) are measured by the amounts earned	<u>(33,535)</u>
Change in Net Position	<u>\$ 37,584</u>

REQUIRED SUPPLEMENTARY INFORMATION

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2023**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
2023	\$ 27,275	\$ 27,275	\$ -	\$ 363,669	7.50%
2022	25,407	25,407	-	338,756	7.50%
2021	23,696	23,696	-	315,942	7.50%
2020	22,926	22,926	-	305,680	7.50%
2019	21,598	21,598	-	287,976	7.50%
2018	24,734	24,734	-	329,791	7.50%
2017	22,992	22,992	-	306,563	7.50%
2016	21,173	21,173	-	282,308	7.50%
2015	13,370	13,370	-	178,275	7.50%

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

See accompanying notes to Required Supplementary Information.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2023**

Fiscal Year Ending	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total Net Pension Liability (a+b)	District's Covered Payroll (c)	Districts Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0045%	\$ 251,635	\$ 6,901	\$ 258,536	\$ 347,949	74.30%	83.10%
2022	0.0044%	348,480	10,151	\$ 358,631	327,644	109.46%	76.70%
2021	0.0043%	183,628	5,568	\$ 189,196	310,699	60.89%	87.00%
2020	0.0042%	251,808	7,712	\$ 259,520	295,394	87.86%	79.10%
2019	0.0042%	232,208	7,333	\$ 239,541	300,343	79.76%	80.20%
2018	0.0051%	282,926	9,162	\$ 292,088	326,485	89.46%	79.50%
2017	0.0046%	293,661	3,681	\$ 297,342	295,313	100.69%	75.90%
2016	0.0038%	308,541	4,082	\$ 312,623	236,932	131.95%	68.90%
2015	0.0026%	134,745	N/A	\$ 134,745	161,167	83.61%	78.20%

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

See accompanying notes to Required Supplementary Information.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct 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.
- 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.

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, 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.
- 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.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

2020 Changes(Continued)

Changes in Actuarial Assumptions(Continued)

- 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 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 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2017 to Scale 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 improvement scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% 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, 2044.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed from 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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.

**AITKIN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

2017 Changes (Continued)

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions

- 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.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

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; the State's contributions of \$6.0 million, which meets the special funding situation definition, was due September 2015.

OTHER REPORT SECTION



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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
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, the financial statements of the governmental activities and the General Fund of Aitkin County Soil and Water Conservation District, Minnesota, (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that 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, public indebtedness, 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 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 District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of Aitkin County Soil and Water Conservation District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Clasen + Schiessl CPAs, Ltd.
Clasen & Schiessl CPAs, Ltd.

Pequot Lakes, Minnesota
October 31, 2024