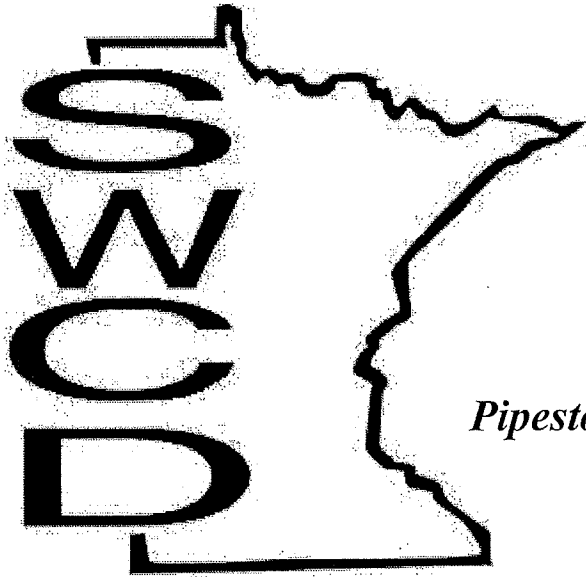


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FINANCIAL AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2021



Pipestone Soil and Water Conservation District

119 2nd Avenue SW – Suite 13

Pipestone, MN 56164

The mission of the Pipestone Soil and Water Conservation District is to promote conservation of natural resources through Education, Technical Assistance, and Stewardship.

**MEULEBROECK, TAUBERT & CO., PLLP.
CERTIFIED PUBLIC ACCOUNTANTS
PIPESTONE, MN 56164**

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
BOARD OF SUPERVISORS
DECEMBER 31, 2021

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**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
BOARD OF SUPERVISORS
DECEMBER 31, 2021**

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<u>Board of Supervisors</u>	<u>Position</u>
Bill Folger	Chairperson
Ian Cunningham	Vice-Chairperson
Larry Fenicle	Secretary/Treasurer (Deceased 11/20/21)
Cal Spronk	Programs
Ken Christensen	Public Relations & Information

District Manager

Kyle Krier

MEULEBROECK, TAUBERT & CO., PLLP
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David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT

Governing Board
Pipestone Soil and Water Conservation District
Pipestone, Minnesota 56164

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the General Fund of Pipestone Soil and Water Conservation District, Pipestone, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Pipestone Soil and Water Conservation District, Pipestone, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Pipestone Soil and Water Conservation District, Pipestone, Minnesota, as of December 31, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year ended in in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 and *Government 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 Pipestone Soil and Water Conservation District, Pipestone, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pipestone Soil and Water Conservation District, Pipestone, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of Pipestone Soil and Water Conservation District, Pipestone, Minnesota'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 Pipestone Soil and Water Conservation District, Pipestone, Minnesota's 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 Pipestone Soil and Water Conservation District, Pipestone, Minnesota's internal control over financial reporting and compliance.

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 19, 2022

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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The Pipestone Soil and Water Conservation District's (SWCD) discussion and analysis provides an overview of the SWCD's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the SWCD's financial statements beginning on page 10.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 10 and 11 provide information about the activities of the SWCD as a whole and present a longer-term view of the SWCD's finances. Fund financial statements are also presented on pages 10 and 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant fund. Since SWCD's are single-purpose special purpose governments, they are generally able to combine the government-wide and fund financial statements into single presentations. Pipestone Soil and Water Conservation District has elected to present in this format.

The Statement of Net Position and the Statement of Activities

The analysis of the SWCD as a whole begins on page 6. One of the most important questions asked about the SWCD's finances is, "Is the SWCD as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD's net position and changes in them. This can be thought of as the SWCD's net position — the difference between assets plus deferred outflows and liabilities plus deferred inflows—as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net position are one indicator of whether its financial health is improving or deteriorating. Additional nonfinancial factors also need to be considered, however, such as changes in the SWCD's property tax base to assess the overall health of the SWCD.

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

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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Reporting the SWCD's General Fund

Fund Financial Statements

The analysis of the SWCD's General Fund begins on page 7. The fund financial statements begin on page 10 and provide detailed information about the General Fund—not the SWCD as a whole. The SWCD presents only a General Fund, which is a governmental fund. All of the SWCD's basic services are reported in the General Fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The General Fund statements provide a detailed short-term view of the SWCD's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the SWCD's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation included with the financial statements.

THE SWCD AS A WHOLE

The SWCD's combined net position increased \$50,672 (14.8 percent) from \$341,851 to \$392,523. In contrast, last year's net position increased by \$37,578. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the SWCD's governmental activities.

	Governmental Activities	
	2021	2020
Current Assets	\$769,827	\$757,360
Capital Assets, Net	120,069	133,207
Total Assets	889,896	890,567
Deferred Outflows of Resources	118,415	15,311
Current Liabilities	262,920	308,541
Long-term Liabilities	203,652	236,018
Total liabilities	466,572	544,559
Deferred Inflows of Resources	149,216	19,468
Net Position		
Investment in Capital Assets	120,069	133,207
Unrestricted	272,454	208,644
Total Net Position	\$392,523	\$341,851

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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**Table 2
Changes in Net Position**

	2021	2020
Revenues		
Intergovernmental-State	457,148	678,878
Intergovernmental-County	204,576	216,924
Charges for Services	54,483	35,723
General Revenues	11,439	26,198
Total Revenues	727,646	957,723
 Expenses		
Conservation	676,974	920,145
Total Expenses	676,974	920,145
Increase (decrease) in net position	50,672	37,578

The SWCD's total revenues decreased by 24.0 percent \$230,077, while total expenses decreased 26.4 percent \$243,171. The decrease in revenue and expenses are due in large part to decreased district operating revenue and expenses which pass through the organization.

THE SWCD'S GENERAL FUND

As the SWCD completed the year, its General Fund (as presented in the balance sheet on page 10 reported a fund balance of \$506,907, which is more than last year's total of \$448,819. The primary reasons for the General Fund's increase mirror the changes highlighted in the governmental activities analysis.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$221,199 above the final budgeted amounts. On the other hand, resources available for appropriation were \$279,287 above the final budgeted amount. The large variances relate to availability of State grants and when the need for those funds arises. No budget amendments were made during the year.

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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CAPITAL ASSET AND LONG TERM LIABILITIES

Capital Assets

At the end of 2021, the SWCD had \$120,069 invested in capital assets, net of depreciation. This amount represents a net decrease of \$13,138 from last year. The decrease is attributed to depreciation after adding a new 2021 Yamaha 4-wheeler.

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

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Buildings and Improvements	111,444	111,444
Machinery and Equipment	144,309	134,110
Furniture and Fixtures	8,219	8,219
Vehicles	54,842	54,842
Totals	<u>318,814</u>	<u>308,615</u>
(Net of Depreciation)	<u>120,069</u>	<u>133,207</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SWCD's elected officials considered many factors when setting the fiscal-year 2021 budget. Some of the economic factors taken into account for the 2022 budget included: sales of trees and tree mats, state funding (new grants: local capacity, buffer, water quality certification grant, etc.), federal funding and the county allocation. Expense factors include expenses, employee salary increases and health insurance benefits offered to the employees.

CONTACTING THE SWCD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the SWCD's finances and to show the SWCD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Pipestone Soil and Water Conservation District, 119 2nd Avenue SW, Pipestone, MN 56164.

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PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
PIPESTONE, MINNESOTA

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2021

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	General Fund	Adjustments See Notes	Statement of Net Position
<u>Assets</u>			
Cash and Cash Equivalents	\$756,048		\$756,048
Accounts Receivable	5,786		5,786
Inventory	7,993		7,993
Capital Assets:			
Depreciable, Net		120,069	120,069
Total Assets	769,827	120,069	889,896
Deferred Outflows of Resources			
Defined Benefit Pension Plan		118,415	118,415
Combined Assets and Deferred Outflows of Resources			
	\$769,827	\$238,484	\$1,008,311
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$11,767		\$11,767
Health Savings Payable	96		96
Payroll Taxes Payable	1,644		1,644
Sales Tax Payable	1		1
Unearned Revenue	249,412		249,412
Long-term Liabilities:			
Net Pension Liability		153,736	153,736
Compensated Absences		49,916	49,916
Total Liabilities	\$262,920	\$203,652	\$466,572
Deferred Inflows of Resources			
Defined Benefit Pension Plan		149,216	149,216
Combined Liabilities and Deferred Inflows of Resources			
	\$262,920	\$352,868	\$615,788
<u>Fund Balance/Net Position</u>			
Fund Balance			
Nonspendable	\$7,993	(\$7,993)	
Assigned	140,717	(140,717)	
Unassigned	358,197	(358,197)	
Total Fund Balance	\$506,907	(\$506,907)	
Total Liabilities and Fund Balance			
	\$769,827		
Net Position			
Investments in Capital Assets		\$120,069	\$120,069
Unrestricted		272,454	272,454
Total Net Position		\$392,523	\$392,523
Total Liabilities and Net Position			
		\$238,484	\$1,008,311

Notes are an integral part of the basic financial statements.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
PIPESTONE, MINNESOTA

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STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$661,346	\$378	\$661,724
Charges for Services	54,483		54,483
Investment Earnings	8,209		8,209
Miscellaneous	3,230		3,230
Total Revenues	\$727,268	\$378	\$727,646
Expenditures/Expenses			
Conservation			
Current	\$658,981	\$17,993	\$676,974
Capital outlay	10,199	(10,199)	
Total Expenditures/Expenses	\$669,180	\$7,794	\$676,974
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$58,088	(\$7,416)	\$50,672
Fund Balance/Net Position January 1	\$448,819	(\$106,968)	\$341,851
Fund Balance/Net Position December 31	\$506,907	(\$114,384)	\$392,523

Notes are an integral part of the basic financial statements.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
 PIPESTONE, MINNESOTA

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BUDGETARY COMPARISON STATEMENT
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$172,240	\$172,240	\$204,576	\$32,336
State Grants	233,601	233,601	456,770	223,169
Total Intergovernmental	405,841	405,841	661,346	255,505
Charges for Services	15,000	15,000	54,483	39,483
Miscellaneous				
Interest Earnings	2,140	2,140	8,209	6,069
Other	25,000	25,000	3,230	(21,770)
Total Miscellaneous	27,140	27,140	11,439	(15,701)
Total Revenues	\$447,981	\$447,981	\$727,268	\$279,287
Expenditures				
District Operations				
Personnel Services	\$366,062	\$366,062	\$363,768	\$2,294
Other Services and Charges	49,622	49,622	87,340	(37,718)
Supplies	10,900	10,900	2,118	8,782
Capital Outlay			10,199	(10,199)
Total District Operations	426,584	426,584	463,425	(36,841)
Project Expenditures				
District	21,397	21,397	27,964	(6,567)
State			177,791	(177,791)
Total Project Expenditures	21,397	21,397	205,755	(184,358)
Total Expenditures	\$447,981	\$447,981	\$669,180	(\$221,199)
Excess of Revenues Over (Under)				
Expenditures	-	-	58,088	58,088
Fund Balance - January 1	359,268	359,268	448,819	
Fund Balance - December 31	\$359,268	\$359,268	\$506,907	\$58,088

Notes are an integral part of the basic financial statements.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The SWCD's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established by GAAP and used by the SWCD are discussed below.

Financial Reporting Entity

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

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

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

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

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

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 SWCD does not have any component units.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. The SWCD segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Governmental Funds:

General Fund - The General Fund is the general operating fund of the SWCD. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Government-wide Financial Statements:

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

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are intergovernmental revenues, charges and interest on investments. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. The SWCD also received an annual appropriation from the County, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus/Basis of Accounting - continued

Interest on invested funds and revenue from sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received 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 Non-exchange Transactions, revenues for non-exchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The SWCD 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 SWCD does not use encumbrance accounting.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Assets, Liabilities, and Fund Balance Accounts

Cash and Cash Equivalents

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Fund Balance Accounts- continued

Inventory

Inventory is valued at lower of cost or market using the first-in, first-out method. The cost of other consumable materials and supplies on hand are immaterial to the financial statements and the SWCD has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Unearned Revenues

Unearned revenue consists of revenues that will be recognized when the related program expenditures are recognized.

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. 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 the estimated useful lives of the assets.

The SWCD uses a threshold of \$2,500 for capitalizing assets purchased. Those physical assets under \$2,500 are expensed directly and not capitalized.

Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

The Pipestone Soil and Water Conservation District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The SWCD currently recognizes deferred outflows relating to pensions for reporting in this category. The length of the expense recognition period for deferred amounts related 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The items that qualify for reporting in this category are amounts related to pensions. These amounts are deferred and recognized as inflows of resources in the period that the amount is earned. Deferred amounts relating to pensions represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period, differences between expected and actual economic experience, changes in actuarial assumptions, and changes in proportion, are recognized over a four-year period.

Liabilities

Long term liabilities, such as compensated absences and net pension liability, are accounted for in the Government-wide Statement of Net Position.

Vacation and Sick Leave

Under the SWCD's personnel policies which was updated in 2021, employees are granted leave in varying amounts based on their length of service. An employee will accrue 8 hours of sick and vacation time each month from date of employment until completion of their 5th year. Beginning the 6th year of employment until the completion of the 10th year of employment the accrual rate will be 10 hours each month, and the beginning of the 11th year to the completion of the 15th year the accrual rate will be 12 hours per month and beginning of the 16th year of employment and then on the accrual rate will be 14 hours per month. The maximum accrual for vacation is 240 hours and sick leave is 800 hours.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications

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

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

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

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

The SWCD has formally adopted a fund balance policy for the General Fund. The SWCD's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2021, the unassigned fund balance of the General Fund was 78% of the subsequent year's budgeted expenditures.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position Classifications

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Explanation of Adjustments Column in Statements

1. Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, and adjustment is made if the SWCD has capital assets. This adjustment equals the net book balance of capitalized assets.
2. Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absences and Net Pension Liability the SWCD has as of the report date. See note on Long-term Liabilities.
3. Intergovernmental Revenue: The State of Minnesota contributed \$378 during 2021 relating to pensions. This is a government-wide adjustment. See Note 5.
4. Depreciation, Net Pension Expense and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the net pension expense and the change in Compensated Absences between the reporting year and the previous year. This number is supported by the figures in the note on Long-Term Liabilities.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Budget

During 2021, actual expenditures, \$669,180, were greater than budgeted expenditures of \$447,981, by \$221,199. This was due in large part to various state expenditures of \$177,791 which were not included in both the revenue and expenditure budgets.

General Fund Deficit

At December 31, 2021, the SWCD's General Fund did not have a deficit fund balance.

NOTE 3. DETAIL NOTES ON ALL FUNDS

Deposits and Investments

Deposits

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

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

Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank and certificates of deposit. Minnesota statutes also require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The SWCD does not have any deposit policies that would further limit deposit choices.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the SWCD's deposits may not be returned to it. The carrying amount of these deposits at December 31, 2021 was \$798,770.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Credit Risk

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

Concentrations of Credit Risk

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

Investment Policy

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

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

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

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

- g.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- h.) Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

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

UNEARNED REVENUE

Unearned revenue represents the unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and Pipestone County for various programs. Expenditure-driven grant revenues are recognized when the related expenditures are recorded. Unearned revenue for the year ended December 31, 2021 consists of:

Balance of 2020 Groundwater Quality Nitrate Reduction	\$ 23,908
Balance of BWSR 2020 Cost-Share Grant	4,977
Balance of BWSR 2021 Cost-Share Grant	4,575
Balance of BWSR 2021 Capacity Grant	7,236
Balance of BWSR 2022 Capacity Grant	124,930
Balance of BWSR 2022 Buffer Grant	41,500
Balance of BWSR 2022 Conservation Delivery Grant	18,670
Balance of BWSR 2022 State Cost-Share Grant	15,873
Balance of 2021 NRBG LWM	4,074
Balance of 2021 NRBG SSTS	<u>3,669</u>
	\$249,412

COUNTY APPROPRIATION

Breakdown of County Appropriation from Pipestone County:

ANNUAL ALLOCATION	\$75,000
SSTS	54,932
FEEDLOT MONEY	52,078
LWM	11,173
WCA	8,778
DNR SHORELAND	<u>2,615</u>
TOTAL	\$204,576

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

INVENTORY

Inventory is valued at lower of cost or market using the first-in, first-out method. The cost of inventories is recorded as expenditures when used (consumption method). The cost of other consumable materials and supplies on hand are material to the financial statements and the SWCD has therefore chosen to report these items as inventory this year. As of December 31, 2021, inventory is \$7,993.

CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings & Improvements	111,444			111,444
Machinery and Equipment	134,110	10,199		144,309
Furniture and Fixtures	8,219			8,219
Vehicles	54,842			54,842
Total Capital Assets Being Depreciated	<u>308,615</u>	<u>10,199</u>		<u>318,814</u>
Less Accumulated Depreciation for:				
Buildings	38,056	5,096		38,056
Machinery and Equipment	99,094	12,143		111,237
Furniture and Fixtures	7,294	792		8,086
Vehicles	30,964	5,306		36,270
Total Accumulated Depreciation	<u>175,408</u>	<u>23,337</u>		<u>198,745</u>
Total Capital Assets Being Depreciated, Net	<u>133,207</u>			<u>120,069</u>
Governmental Activity Capital Assets, Net	<u>133,207</u>			<u>120,069</u>

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended December 31, 2021 is as follows:

	Balance	<u>Change in</u>	Balance	Due in
	<u>12/31/20</u>	<u>Compensated</u>	<u>12/31/2021</u>	<u>One</u>
		<u>Absences</u>		<u>Year</u>
Compensated Absences	\$38,168	\$11,748	\$49,916	\$0
Total Compensated Absences	38,168	11,748	49,916	0

FUND BALANCE CLASSIFICATION

Nonspendable:		
Inventory		\$ 7,993
Assigned:		
Building Fund		95,916
Equipment Reserve		44,801
Unassigned:		
Total		\$506,907

NOTE 4. OTHER INFORMATION

RISK MANAGEMENT

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

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 4. OTHER INFORMATION (continued)

RISK MANAGEMENT (continued)

As of December 31, 2021, the SWCD did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The SWCD has not had any claims which exceeded its deductible during the past three years.

COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

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

Litigation

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

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

SUBSEQUENT EVENTS

Subsequent Events have been evaluated through October 27, 2022, which is the date the financial statements were available to be issued.

NOTE 5. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

Benefits Provided

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

General Employees Plan Benefits

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021; the SWCD was required to contribute 7.50 percent for Coordinated Plan members. The SWCD’s contributions to the General Employees Fund for the year ended December 31, 2021, 2020 and 2019 were \$20,201, \$19,006, and \$18,835, respectively. The SWCD’s contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the SWCD reported a liability of \$153,736 for its proportionate share of the General Employees Fund’s net pension liability. The SWCD’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million to the fund in 2021. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. That State of Minnesota’s proportionate share of the net pension liability associated with the SWCD totaled \$4,682. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The SWCD’s proportion of the net pension liability was based on the SWCD’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2021, the SWCD’s proportion was .0036%, an increase of .0003 from its proportion measured as of June 30, 2020.

SWCD’s proportionate share of the net pension liability	\$153,736
State of Minnesota’s proportionate share of the net pension liability associated with the SWCD	<u>\$ 4,682</u>
Total	<u>\$158,418</u>

For the year ended December 31, 2021, the SWCD recognized pension expense of \$2,054 for its proportionate share of the General Employees Plan’s pension expense. In addition, the SWCD recognized an additional \$378 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.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2021, the SWCD reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 918	\$ 4,659
Changes in Actuarial Assumptions	93,868	3,177
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		134,464
Changes in Proportion	13,490	6,916
Employer Contributions Subsequent to the Measurement Date	10,139	
Totals	\$ 118,415	\$ 149,216

\$10,139 reported as deferred outflows of resources related to pensions resulting from SWCD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2022	(\$6,589)
2023	(\$901)
2024	\$2,864
2025	(\$36,315)

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the 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 SWCD proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the SWCD’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Proportionate share of the General Employees Fund net pension liability:	\$313,543	\$153,736	\$22,605

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.

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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NOTE 6. LEASE AGREEMENTS

The SWCD leases office space from the City of Pipestone. During December of 2020 SWCD entered into a new lease for office space from the City of Pipestone, the lease term is for the period January 1, 2021 to December 31, 2023. The term states that the rent per month shall be \$980, 1,010, and \$1,040 for 2021, 2022, and 2023 respectively. Future minimum lease payments are as follows:

2022	12,120
2023	<u>12,480</u>
Total	<u>\$24,600</u>

NOTE 7. RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, December 31	\$ 506,907
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	120,069
Plus: Deferred Outflows of Resources	118,415
Less: Long-Term Liabilities	203,652
Less: Deferred Inflow of Resources	<u>149,216</u>
Net Position	<u>\$ 392,523</u>

NOTE 8. RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$ 58,088
Capital Outlay	10,199
Intergovernmental Revenue related to Pensions	378
Pension Expense	17,092
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level	(23,337)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	<u>(11,748)</u>
Change in Net Position	<u>\$ 50,672</u>

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The SWCD has no liability for Other Post-Employment Benefits (OPEB).

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PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

DRAFT

Fiscal Year Ending	Employer's Proportion	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share	Employer's Proportionate	Employer's Covered-Employee Payroll (c)	Employer's Proportionate	Plan Fiduciary Net
	(Percentage) of the Net Pension Liability (Asset)		(Amount) of the Net Pension Liability Associated with the City (b)	Share (Amount) of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)		Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0036%	\$153,736	\$4,682	\$158,418	\$261,560	60.57%	87.00%
June 30, 2020	0.0033%	\$197,850	\$6,098	\$203,948	\$234,587	86.94%	79.00%
June 30, 2019	0.0035%	\$193,507	\$6,166	\$199,673	\$251,133	79.51%	89.30%
June 30, 2018	0.0036%	\$199,713	\$6,519	\$206,232	\$238,770	86.37%	79.50%
June 30, 2017	0.0035%	\$223,438	\$2,792	\$226,230	\$224,103	100.95%	75.90%
June 30, 2016	0.0027%	\$219,227	\$2,826	\$222,053	\$165,143	134.46%	68.90%
June 30, 2015	0.0021%	\$108,833	\$0	\$108,833	\$117,400	92.70%	78.20%

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

**For purposes of this schedule, covered employee payroll is defined as "pensionable wages".

PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF CONTRIBUTIONS
 PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

DRAFT

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
December 31, 2021	\$20,191	\$20,191	-	\$269,213	7.50%
December 31, 2020	\$19,006	\$19,006	-	\$253,413	7.50%
December 31, 2019	\$17,703	\$17,703	-	\$236,040	7.50%
December 31, 2018	\$18,414	\$18,414	-	\$245,520	7.50%
December 31, 2017	\$17,441	\$17,441	-	\$232,545	7.50%
December 31, 2016	\$15,964	\$15,964	-	\$212,858	7.50%
December 31, 2015	\$9,181	\$9,181	-	\$122,415	7.50%

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

**For purposes of this schedule, covered employee payroll is defined as "pensionable wages".

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

DRAFT

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

DRAFT

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent 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 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- 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 load 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 postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement 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 years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

DRAFT

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE

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 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.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board
Pipestone Soil and Water Conservation District
Pipestone, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the general fund information of the Pipestone Soil and Water Conservation District, Pipestone, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Pipestone Soil and Water Conservation District, Pipestone, Minnesota's basic financial statements, and have issued our report thereon dated September 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pipestone Soil and Water Conservation District, Pipestone, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pipestone Soil and Water Conservation District, Pipestone, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pipestone Soil and Water Conservation District, Pipestone, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented, or



detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2021-1) and (2021-2), prior and current.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories except tax increment financing because these provisions do not apply to Pipestone Soil and Water Conservation District.

In connection with our audit, nothing came to our attention that caused us to believe that Pipestone Soil and Water Conservation District, Pipestone, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 Pipestone Soil and Water Conservation District, Pipestone, Minnesota's noncompliance with the above reference provisions.

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Pipestone Soil and Water Conservation District
Pipestone, Minnesota
Page 3

Pipestone Soil and Water Conservation District's Response to the Findings

The Pipestone Soil and Water Conservation District, Pipestone, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of current and prior audit findings and recommendations. The Pipestone Soil and Water Conservation District, Pipestone, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 19, 2022

**PIPESTONE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND
QUESTIONED COSTS
DECEMBER 31, 2021**

DRAFT

PRIOR FINDINGS

2016-1 Finding: A material weakness was reported due to lack of segregation of duties within the SWCD. This finding continues to exist as Finding 2021-1

2019-2 Finding: Lack of expertise by SWCD personnel to prepare financial statements in accordance with generally accepted accounting principles. This finding continues to exist as Finding 2021-2.

CURRENT FINDINGS

2021-1 Finding: Segregation of duties

Condition: The SWCD has limited personnel available to perform accounting duties

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

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

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

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

Response: The SWCD concurs with the recommendation. The SWCD's board will monitor duties.

2021-2 Finding: Lack of expertise by SWCD personnel to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The SWCD personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: Internal controls should be in place that provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.

Effect: SWCD personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Recommendation: The SWCD should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles.

Response: This is not unusual in a SWCD of this size. It is economically infeasible for the SWCD to provide the necessary training for personnel to acquire and maintain this expertise. The SWCD will continue to have the auditing firm prepare the financial statements and will have a review of the statements with the auditor.

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MANAGEMENT LETTER

To the Governing Board
of the Pipestone Soil and Water Conservation District

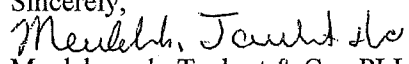
In planning and performing our audit of the financial statements of the governmental activities and the General Fund information of the Pipestone Soil and Water Conservation District for the year ended December 31, 2021, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 19, 2022, on the financial statements of the Pipestone Soil and Water Conservation District.

COMMENTS AND SUGGESTIONS

- The District does not maintain an adequate segregation of duties among its accounting personnel. We recommend the District make a list of each office employees' duties and separate the duties to ensure proper segregation, for enhancement of internal controls.
- We recommend the District maintains an unassigned fund balance between the range of 35-50% of budgeted operating expenditures for the subsequent year. As of December 31, 2021, the District's unassigned fund balance of the general fund was 78% of the subsequent year's budgeted expenditures.
- During the course of our audit, we determined the District needed the attached adjusting journal entries to be posted to do the District's accounting records.

We feel that these comments and observations deserve the attention of the Governing Board. We would be willing to discuss any of these comments with you at any time. We appreciate the opportunity to provide auditing services to Pipestone Soil and Water Conservation District.

Sincerely,

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 19, 2022