

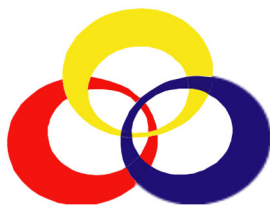
FINANCIAL AUDIT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2024



**Lac qui Parle Soil & Water  
Conservation District**

122 8<sup>th</sup> Avenue S.  
Madison MN 56256  
320-598-7321 Ext. 3  
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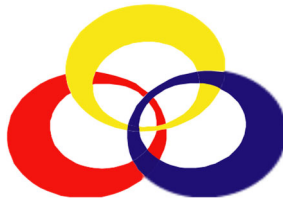
*The mission of the Lac qui Parle Soil and Water Conservation District is to take available technical, financial and educational resources, whatever their source, and focus or coordinate them so that they meet the needs of the local land user to help him/her protect Lac qui Parle's natural resources.*



**Kinner & Company Ltd**  
Certified Public Accountants

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2024**

	<u>Page</u>
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditor’s Report</b>	1-3
<b>Required Supplementary Information (unaudited)</b>	
Management’s Discussion and Analysis	4-8
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements/Fund Financial Statements:</i>	
Statement of Net Position and Governmental Fund Balance Sheet	9
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	10
Budgetary Comparison Statement	11
<i>Notes to Basic Financial Statements</i>	12-34
<b>Required Supplementary Information</b>	
Schedule of Contributions	35
Schedule of Proportionate Share of Net Pension Liability	36
Notes to Required Supplementary Information	37-39
<b>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</b>	40-41
Schedule of Prior and Current Audit Findings and Responses	42-43



# **Kinner & Company Ltd**

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Lac Qui Parle Soil and Water Conservation District  
Madison, MN 56256

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lac Qui Parle Soil and Water Conservation District, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Lac Qui Parle Soil and Water Conservation District, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Lac Qui Parle Soil and Water Conservation District, Minnesota as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the general funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lac Qui Parle Soil and Water Conservation District, Minnesota and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lac Qui Parle Soil and Water Conservation District, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lac Qui Parle Soil and Water Conservation District, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2025, on our consideration of the Lac Qui Parle Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lac Qui Parle Soil and Water Conservation District's internal control over financial reporting and compliance.

*Kinner & Company Ltd*

Kinner & Company Ltd  
Certified Public Accountants

August 29, 2025

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024**

The Lac qui Parle 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, 2024. Since this information is designed to focus on the 2024 activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

**USING THIS ANNUAL REPORT**

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

**Statement of Net Position and 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 SWCD’s net position and changes in them. One can think of the SWCD’s net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources- as one way to measure the SWCD’s financial health, or financial position. Over time, increases or decreases in the SWCD’s net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors also need to be considered to assess the overall health of the SWCD.

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024**

**Reporting the SWCD’s General Fund**

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

**THE DISTRICT AS A WHOLE**

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

**Table 1  
Statement of Net Position**

	Governmental Activities	
	2024	2023
Current and Other Assets	\$ 776,474	\$ 729,397
Capital Assets, Net of Depreciation	94,951	125,500
<b>Total Assets</b>	<b>871,425</b>	<b>854,897</b>
<b>Deferred Outflows</b>	<b>39,455</b>	<b>42,920</b>
Long-Term Liabilities	125,742	161,193
Current Liabilities	217,829	186,400
<b>Total Liabilities</b>	<b>343,571</b>	<b>347,593</b>
<b>Deferred Inflows</b>	<b>83,226</b>	<b>65,320</b>
Net Position		
Net Investment in Capital Assets	94,951	125,500
Restricted	108,754	108,746
Unrestricted	280,378	250,658
<b>Total Net Position</b>	<b>\$ 484,083</b>	<b>\$ 484,904</b>

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024**

**THE DISTRICT AS A WHOLE (continued)**

The net position of the District’s governmental activities decreased by \$821. 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 increased \$29,720 from \$250,658 at December 31, 2023 to \$280,378 at December 31, 2024.

**Table 2  
Changes in Net Position**

	Governmental Activities	
	2024	2023
<b>Revenues</b>		
Program Revenues:		
Charges for Service	\$ 204,466	\$ 220,726
Federal Grants	2,450	7,781
State Grants and Entitlements	262,484	373,684
County Grants and Entitlements	227,256	188,516
Other General Revenues	38,348	32,030
<b>Total Revenues</b>	<b>735,004</b>	<b>822,738</b>
<b>Expenses</b>		
Program Expenses:		
Conservation	735,825	689,392
<b>Total Expenses</b>	<b>735,825</b>	<b>689,392</b>
<b>Change in Net Position</b>	<b>\$ (821)</b>	<b>\$ 133,345</b>

The District’s total revenues decreased by \$87,734. The total cost of all programs and services increased by \$46,432 over the prior year. Revenues and expenses fluctuate based on availability of grants and needs of customers.

**THE DISTRICT’S GENERAL FUND**

As the District completed the year, its general fund as presented in the balance sheet reported a combined fund balance of \$558,645, which is an increase of \$15,647 compared to last year’s total of \$542,998. The District had additional revenue for insurance proceeds and charges for services that led to the increased net position.

**General Fund Budgetary Highlights**

The actual expenditures compared to appropriations were \$34,455 below the final budgeted amounts. Revenues were \$39,716 less than budgeted. Fluctuations are expected based on the needs of the consumers and availability of grants. Projects also depend on the weather.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

At the end of 2024, the District had \$94,951 invested in capital assets, net of depreciation, including land, buildings and improvements, machinery and equipment (See Table 3 below).

**Table 3**  
**Capital Assets at Year-end**  
(Net of Depreciation)

	2024	2023
Land	\$ 1,000	\$ 1,000
Buildings and Improvements	25,990	25,990
Machinery and Equipment	255,439	255,439
<b>Total Assets</b>	<b>282,429</b>	<b>282,429</b>
(Net of Depreciation)	<b>\$ 94,951</b>	<b>\$ 125,500</b>

**LONG-TERM LIABILITIES**

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

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The SWCD’s elected officials considered many factors when setting the fiscal-year 2025 budget. Some of the economic factors taken into account for the 2025 budget included: sales of trees and tree mats, state funding (grants, SWCD aid), federal funding and the county allocation. Expense factors include expenses, employee salary increases, and health insurance benefits offered to the employees.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024**

**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 any questions about this report or need additional financial information, contact the Lac qui Parle Soil and Water Conservation District at 122 8<sup>th</sup> Avenue South, Madison, Minnesota, or call 320-598-7321 x3.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-Wide Financial Statements  
Fund Financial Statements:  
    Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MADISON, MINNESOTA

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2024

	General Fund	Adjustments See Notes	Statement of Net Position
<b><u>Assets</u></b>			
Cash and Investments	\$ 689,539		\$ 689,539
Accounts Receivable	35,489		35,489
Interest Receivable	584		584
Due from Other Governments	20,498		20,498
Inventory	30,364		30,364
Capital Assets:			
Non-Depreciable		1,000	1,000
Depreciable, Net		93,951	93,951
Total Assets	776,474	94,951	871,425
<b>Deferred Outflows of Resources</b>			
Defined Benefit Pension Plan		39,455	39,455
<b>Combined Assets and Deferred Outflows of Resources</b>			
	<b>\$ 776,474</b>	<b>\$ 134,406</b>	<b>\$ 910,880</b>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Accounts Payable	\$ 22,237		\$ 22,237
Salaries Payable	11,483		11,483
Due To Other Governments	8,980		8,980
Unearned Revenue	175,129		175,129
Long-term Liabilities:			
Net Pension Liability		114,138	114,138
Compensated Absences		11,604	11,604
Total Liabilities	217,829	125,742	343,571
<b>Deferred Inflows of Resources</b>			
Defined Benefit Pension Plan		83,226	83,226
<b>Combined Liabilities and Deferred Inflows of Resources</b>			
	<b>217,829</b>	<b>208,968</b>	<b>426,797</b>
<b><u>Fund Balance/Net Position</u></b>			
Fund Balance			
Nonspendable (Inventories)	30,364	(30,364)	-
Restricted	108,754	(108,754)	-
Assigned	11,604	(11,604)	-
Unassigned	407,923	(407,923)	-
Total Fund Balance	558,645	(558,645)	-
<b>Total Liabilities and Fund Balance</b>			
	<b>\$ 776,474</b>		
Net Position			
Investments in Capital Assets		94,951	94,951
Restricted		108,754	108,754
Unrestricted		280,378	280,378
Total Net Position		<b>484,083</b>	<b>484,083</b>
<b>Total Liabilities and Net Position</b>			
		<b>\$ 134,406</b>	<b>\$ 910,880</b>

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MADISON, MINNESOTA

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Adjustments See Notes	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$ 492,190	\$ -	\$ 492,190
Charges for Services	204,466	-	204,466
Investment Earnings	2,180	-	2,180
Miscellaneous	15,259	-	15,259
<b>Total Revenues</b>	<b>714,095</b>	<b>-</b>	<b>714,095</b>
<b>Expenditures/Expenses</b>			
Conservation			
Current	719,357	16,468	735,825
Capital outlay	-	-	-
<b>Total Expenditures/Expenses</b>	<b>719,357</b>	<b>16,468</b>	<b>735,825</b>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(5,261)</b>	<b>(16,468)</b>	<b>(21,729)</b>
<b>Other Financing Sources (Uses)</b>			
Insurance Proceeds	20,909	-	20,909
Gain on Sale of Capital Assets	-	-	0
<b>Net Other Financing Sources (Uses)</b>	<b>20,909</b>	<b>-</b>	<b>20,909</b>
<b>Net Change in Fund Balance</b>	<b>15,647</b>	<b>(16,468)</b>	<b>(821)</b>
<b>Fund Balance/Net Position January 1</b>	<b>542,998</b>	<b>(58,095)</b>	<b>484,904</b>
<b>Fund Balance/Net Position December 31</b>	<b>\$ 558,645</b>	<b>\$ (74,563)</b>	<b>\$ 484,083</b>

Notes are an integral part of the basic financial statements.

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
MADISON, MINNESOTA

BUDGETARY COMPARISON STATEMENT  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
County	\$ 221,464	\$ 221,464	\$ 227,256	\$ 5,792
Federal	-	-	2,450	2,450
State Grants	377,748	377,748	262,484	(115,263)
<b>Total Intergovernmental</b>	<b>599,211</b>	<b>599,211</b>	<b>492,190</b>	<b>(107,021)</b>
<b>Charges for Services</b>	<b>152,600</b>	<b>152,600</b>	<b>204,466</b>	<b>51,866</b>
<b>Miscellaneous</b>				
Interest Earnings	1,000	1,000	2,180	1,180
Other	1,000	1,000	15,259	14,259
<b>Total Miscellaneous</b>	<b>2,000</b>	<b>2,000</b>	<b>17,439</b>	<b>15,439</b>
<b>Total Revenues</b>	<b>\$ 753,811</b>	<b>\$ 753,811</b>	<b>\$ 714,095</b>	<b>\$ (39,716)</b>
<b>Expenditures</b>				
<b>District Operations</b>				
Personnel Services	\$ 126,730	\$ 126,730	\$ 337,132	\$ (210,402)
Other Services and Charges	71,401	73,401	100,297	(26,896)
Supplies	2,587	2,587	1,563	1,024
Capital Outlay	15,000	13,000	-	13,000
<b>Total District Operations</b>	<b>215,718</b>	<b>215,718</b>	<b>438,992</b>	<b>(223,274)</b>
<b>Project Expenditures</b>				
District	112,000	112,000	132,423	(20,423)
State	226,906	226,906	84,241	142,666
County	199,187	199,187	63,700	135,487
<b>Total Project Expenditures</b>	<b>538,093</b>	<b>538,093</b>	<b>280,364</b>	<b>257,729</b>
<b>Total Expenditures</b>	<b>753,811</b>	<b>753,811</b>	<b>719,357</b>	<b>34,455</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	-	-	(5,261)	(5,261)
<b>Other Financing Sources (Uses)</b>				
Insurance Proceeds	-	-	20,909	20,909
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>20,909</b>	<b>20,909</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>15,647</b>	<b>15,647</b>
<b>Fund Balance - January 1</b>	<b>444,319</b>	<b>444,319</b>	<b>542,998</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 444,319</b>	<b>\$ 444,319</b>	<b>\$ 558,645</b>	<b>\$ 15,647</b>

Notes are an integral part of the basic financial statements.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

The District'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 District are discussed below.

**A. REPORTING ENTITY**

The Lac Qui Parle Soil and Water Conservation District was organized under provisions of *Minnesota Statutes* Chapter 103C. The District 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 damages to wetlands and wildlife habitats.

The Lac Qui Parle Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service (former 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 District 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 District's objectives.

The District is not considered a part of Lac Qui Parle 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.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and 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 imposed by the provided have been met.

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

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

The funds of the financial reporting entity are described below:

Governmental Fund:

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

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

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

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION or FUND BALANCE**

**Deposits and Investments**

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted position) with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 2024 the district has no investments.

**Inventories**

The District uses the consumption method to record 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 material to the financial statements and the District has therefore chosen to report these items as inventory this year. As of December 31, 2024, inventory is \$30,364.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,  
AND NET POSITION or FUND BALANCE (Continued)**

**Unearned Revenue**

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

**Capital Assets**

Capital assets are defined by the District as assets with an initial individual cost of \$3,500 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets, and intangible assets are reported in the application governmental column of the government-wide financial statements.

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

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

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION or FUND BALANCE (Continued)**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**Long-Term Obligations**

In the government-wide financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Long term obligations as of December 31, 2024 consist of compensated absences and net pension liability. The general fund is used to liquidate these obligations.

**Compensated Absences**

Personal Time Off (PTO) will be earned time off to all full-time employees based on length of service. PTO is earned per month in the following manner:

<u>Length of Completed Service</u>	<u>Jan – December</u>
0-4 years	8 hours per pay period (up to 208 hours or 26 days)
5-9 years	10 hours per pay period (260 hours or 32.5 days)
10-14 years	12 hours per pay period (312 hours or 39 days)
15+ years	14 hours per pay period (364 hours or 45.5 days)

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,  
AND NET POSITION or FUND BALANCE (Continued)**

No PTO leave can be taken before it is earned unless the employee has prior approval by the District Manager with approval from the Personnel Committee. PTO is to go according to January 1st of the anniversary year. PTO leave will be taken in ¼ hour increments. Unused PTO leave may be accumulated for use in succeeding years as follows:

- Full-time employees can have a maximum of 600 hours PTO leave.
- Permanent part-time employees, PTO leave will be pro-rated as will their pro-rated carry-over hours.
- Temporary employees will not receive any PTO leave.
- Compensatory time needs to be used before PTO leave. (as it is accrued)

Probationary employees will earn PTO leave, but use will be restricted until the end of the probationary period.

**Severance Pay**

**Pre-Retirement, Full-Time Employees**

Employees who resign or whose employment is terminated shall be entitled 60% pay for unused PTO at current wage at time of separation unless released from their job for a wrongful act. These funds will be paid into the employee's Health Care Savings Plan. Employees who resign while allegations or charges of misconduct are pending or who are terminated for misconduct shall not be entitled to any unused PTO.

**Employees in Probationary Period**

Employees who are in the probationary period and accrue PTO benefits, who are terminated or resign will forfeit their PTO benefits because regular status was not obtained.

**Retirement**

Employees shall be granted upon voluntary termination from service by retirement (retirement being defined as eligible for full benefits from Social Security or PERA) and at least 10-years of continued service to the SWCD severance pay of: 75% of any accrued PTO, for that employee, at the rate of the employee's current hourly rate of pay. These funds will be paid into the employee's Health Care Savings Plan. Employees who resign/retire while charges of misconduct are pending shall not be entitled to payment for accrued PTO.

In the event of the death of an employee, the applicable terminal pay benefits shall be paid to the estate of the employee.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,  
AND NET POSITION or FUND BALANCE (Continued)**

**Fund Balance Classifications**

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

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

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the District. To be reported as committed, amounts cannot be used for any other purpose unless the District 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 District 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 District 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 District has formally adopted a fund balance policy for the General Fund. The District’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, 2024, the unassigned fund balance of the General Fund was 49% of the subsequent year’s budgeted expenditures.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,  
AND NET POSITION or FUND BALANCE (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:

- Investments in Capital Assets – Consists of capital assets, net of accumulated depreciation.
- 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”.

**E. EXPLANATION OF ADJUSTMENTS COLUMN IN STATEMENTS**

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

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

Depreciation, Net Pension Expense and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the net pension expense and the change in Compensated Absences between the reporting year and the previous year. This number is supported by the figures in the note on Long-Term Liabilities.

**F. USE OF ESTIMATES**

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**G. PENSIONS**

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

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

**Budgets**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by the District for the General Fund.

**Encumbrances**

The District does not utilize encumbrance accounting.

**NOTE 3. DETAIL NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

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

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

**Deposits**

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

Minnesota Statutes require that all District 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 District 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 (CD's) 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 – Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, cash equivalents, and certificates of deposit, had a bank balance of \$693,846 at December 31, 2024, that was fully insured. The carrying amount of these deposits at December 31, 2024 was \$689,539.

**Investment Policy**

The District 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 District’s pooled cash and investment portfolio. This policy sets for the District’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 District’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.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Investment Policy (Continued)**

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 District 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
- 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 District does not have any investment policies that would further limit investment choices.

Interest Rate Risk

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Investment Policy (Continued)**

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

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 District 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 District's investments in a single issuer. The District places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk

For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2024, all certificates of deposit were insured or registered or the securities were held by the District or its agent in the District's name.

**B. ACCOUNTS RECEIVABLE**

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

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. ACCOUNTS RECEIVABLE (Continued)**

**Unearned Revenue**

Unearned revenue for the year ended December 31, 2024 consists of:

BWSR Service Grants:	
2025 Conservation Grants	\$ 21,032
2024 Conservation Grants	18,648
BWSR Buffer Law Grant:	
2024 Buffer Law Grant	18,498
2023 Buffer Law Grant	2,678
2025 Soil Health Cost Share	36,154
2025 County WCA Funds	4,794
2025 County Water Plan Funds	21,096
2024 County Water Plan Funds	4,386
MAWQCP	2,251
Dawson PP	45,593
<b>TOTAL OF ALL UNEARNED REVENUE</b>	<b><u>\$ 175,129</u></b>

**Breakdown of County Appropriation from Lac qui Parle County:**

ANNUAL ALLOCATION	\$120,490
WATER PLAN MONEY	22,351
WCA	7,186
1W1P	36,233
AIS	<u>40,996</u>
<b>TOTAL</b>	<b><u>\$227,256</u></b>

It should be noted that the Lac qui Parle SWCD received the budget sums as follows:

- **Annual allocation** of \$120,490 was received and spent in 2024.
- **Water Plan Money** The figure above reflects money spent in 2024.
- **Wetland Money** The figure above reflects money spent in 2024.
- **1W1P** The figure above reflects the amount received in 2024.
- **Aquatic Invasive Species funds** \$40,996 was received and considered earned in 2024.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. ACCOUNTS RECEIVABLE (Continued)**

Expenditure-driven grant revenues are recognized when the related expenditures are recorded. This may result in the appearance of slightly less revenue than actually received, or more revenue than actually received. This is due in part to overlapping fund years and expenses that may be disbursed in more than one calendar year.

**C. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2024 is as follows:

	<u>Balance</u> <u>12/30/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/24</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Capital Assets Not Being Depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	25,990	-	-	25,990
Machinery and Equipment	<u>255,439</u>	<u>-</u>	<u>-</u>	<u>255,439</u>
Total Capital Assets Being Depreciated	<u>281,429</u>	<u>-</u>	<u>-</u>	<u>281,429</u>
Less Accumulated Depreciation for:				
Buildings	17,151	1,054	-	18,205
Machinery and Equipment	<u>139,777</u>	<u>29,495</u>	<u>-</u>	<u>169,272</u>
Total Accumulated Depreciation	<u>156,929</u>	<u>30,549</u>	<u>-</u>	<u>187,477</u>
Total Capital Assets Being Depreciated	<u>124,500</u>	<u>(30,549)</u>	<u>-</u>	<u>93,951</u>
	<u>\$125,500</u>	<u>\$ (30,549)</u>	<u>\$ -</u>	<u>\$94,951</u>

Changes in long-term liabilities were as follows:

	<u>12/31/2023</u>	<u>Net Annual</u> <u>Change</u>	<u>12/31/2024</u>
Compensated Absences	\$ 10,212	\$ 1,392	\$ 11,604

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)**

**E. FUND BALANCE CLASSIFICATION**

At December 31, 2024, a summary of the governmental fund balance classifications are as follows:

	General Fund
Non-spendable:	
Inventories	\$ 30,364
Restricted:	
Aquatic Invasive Species Control	108,754
Assigned:	
Compensated Absences	11,604
Unassigned	407,623
Total Fund Balances	\$ 558,645

**NOTE 4. OTHER INFORMATION**

**A. 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; and natural disasters. The District 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.

All participants of the 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 District is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

As of December 31, 2024, the District did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The District has not had any claims which exceeded its deductible during the past three years.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 4. OTHER INFORMATION (Continued)**

**B. COMMITMENTS AND CONTINGENCIES**

*Grant Program Involvement*

In the normal course of operations, the District 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 District 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 District, the District feels that the settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

**C. LEASE AGREEMENTS**

The District leases office space on a yearly basis. Under the current agreement, total costs for 2024 were \$16,690.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 5. DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. PLAN DESCRIPTION**

The SWCD participates in a 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.

**General Employees Retirement Plan**

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

**B. BENEFITS PROVIDED**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**B. BENEFITS PROVIDED (Continued)**

**General Employees Plan Benefits (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. The 2024 annual increase was 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 prorated increase.

**C. CONTRIBUTIONS**

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

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the SWCD was required to contribute 7.50% for Coordinated Plan members. The SWCD’s contributions to the General Employees Fund for the year ended December 31, 2024, 2023 and 2022 were \$22,739, \$17,814, and \$16,197, respectively. The SWCD’s contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

**General Employees Fund Pension Costs**

At December 31, 2024, the SWCD reported a liability of \$114,138 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 2024. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the SWCD totaled \$2,951.

SWCD’s proportionate share of the net pension liability	\$114,138
State of Minnesota’s proportionate share of the net pension	
Liability associated with the SWCD	<u>2,951</u>
Total	<u>\$117,089</u>

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. PENSION COSTS (Continued)**

**General Employees Fund Pension Costs (Continued)**

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The SWCD’s proportionate share of the net pension liability was based on the SWCD’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The SWCD’s proportion was .0031% at the end of the measurement period and .0027% for the beginning of the period.

For the year ended December 31, 2024 the SWCD recognized pension expense of \$5,835 for its proportionate share of the General Employees Plan’s pension expense. In addition, the SWCD recognized an additional \$79 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The SWCD recognized \$5,251 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

At December 31, 2024, the 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	\$ 10,352	\$ -
Changes in Actuarial Assumptions	541	39,242
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	32,104
Changes in Proportion	16,246	11,880
Employer Contributions Subsequent to the Measurement Date	12,316	-
Totals	<u>\$ 39,455</u>	<u>\$ 83,226</u>

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**D. PENSION COSTS (Continued)**

**General Employees Fund Pension Costs (Continued)**

\$12,316 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, 2025. 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>
2025	(\$34,150)
2026	(\$5,090)
2027	(\$8,099)
2028	(\$8,748)

**E. LONG-TERM EXPECTED RETURN ON INVESTMENT**

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

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

**F. ACTUARIAL METHODS AND ASSUMPTIONS**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**F. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)**

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

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

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

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**G. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

**G. DISCOUNT RATE (Continued)**

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. PENSION LIABILITY SENSITIVITY**

The following presents the SWCD proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the SWCD’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Proportionate share of the General Employees Fund net pension liability:	\$249,296	\$114,138	\$2,958

**I. PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 6. RECONCILIATION OF FUND BALANCE TO NET POSITION**

Governmental Fund Balance, January 1	\$542,998
Plus: Excess of Revenue Over Expenditures	<u>15,647</u>
Governmental Fund Balance, December 31	<u>\$558,645</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$94,951
Plus: Deferred Outflows of Resources	39,455
Less: Long-Term Liabilities	(125,742)
Less: Deferred Inflow of Resources	<u>(83,226)</u>
Net Position	<u>\$ 484,083</u>

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 7. RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION**

Change in Fund Balance	\$ 15,647
Pension Expense	15,472
The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level	(30,549)
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned.	(1,392)
Change in Net Position	\$ (821)

**NOTE 8. GASB STANDARDS IMPLEMENTED**

GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**REQUIRED SUPPLEMENTARY INFORMATION**

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

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)
December 31, 2024	\$22,739	\$22,739	-	\$303,187	7.50%
December 31, 2023	\$17,814	\$17,814	-	\$237,523	7.50%
December 31, 2022	\$16,197	\$16,197	-	\$215,965	7.50%
December 31, 2021	\$16,504	\$16,504	-	\$220,051	7.50%
December 31, 2020	\$15,937	\$15,937	-	\$212,487	7.50%
December 31, 2019	\$14,489	\$14,489	-	\$193,193	7.50%
December 31, 2018	\$14,172	\$14,172	-	\$188,964	7.50%
December 31, 2017	\$13,123	\$13,123	-	\$174,974	7.50%
December 31, 2016	\$11,907	\$11,907	-	\$158,761	7.50%
December 31, 2015	\$8,550	\$8,550	-	\$114,006	7.50%

LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Employer (b)	Employer's Proportionate Share (Amount) of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0031%	\$114,138	\$2,951	\$117,089	\$261,300	44.81%	89.10%
June 30, 2023	0.0027%	\$150,981	\$4,200	\$155,181	\$214,666	72.29%	83.10%
June 30, 2022	0.0030%	\$237,602	\$6,993	\$244,595	\$226,669	107.91%	76.70%
June 30, 2021	0.0030%	\$128,113	\$3,923	\$132,036	\$216,370	61.02%	87.00%
June 30, 2020	0.0029%	\$173,868	\$5,380	\$179,248	\$206,790	86.68%	79.10%
June 30, 2019	0.0026%	\$143,748	\$4,500	\$148,248	\$184,220	80.47%	80.20%
June 30, 2018	0.0028%	\$155,332	\$5,110	\$160,442	\$189,483	84.67%	79.50%
June 30, 2017	0.0026%	\$165,981	\$2,067	\$168,048	\$165,899	101.30%	75.90%
June 30, 2016	0.0021%	\$170,510	\$2,303	\$172,813	\$132,388	130.54%	68.90%
June 30, 2015	0.0019%	\$98,468	\$0	\$98,468	\$110,186	89.37%	78.20%

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2024**

**NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**General Employees Fund**

*2024 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

*2023 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

*2022 Changes*

Changes in Actuarial Assumptions:

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

*2021 Changes*

Changes in Actuarial Assumptions:

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

*2020 Changes*

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2024**

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

- 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.

*2018 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2024**

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

- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

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

*2016 Changes*

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

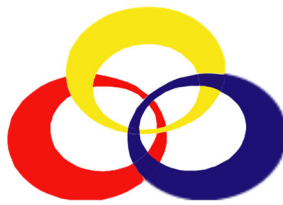
*2015 Changes*

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

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



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Certified Public Accountants

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

Governing Board  
Lac Qui Parle Soil and Water Conservation District  
Madison, MN 56256

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Lac Qui Parle Soil and Water Conservation District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Lac Qui Parle Soil and Water Conservation District's basic financial statements and have issued our report thereon dated August 29, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lac Qui Parle Soil and Water Conservation District'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 opinion on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of the Lac Qui Parle Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lac Qui Parle Soil and Water Conservation District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Prior and Current Findings and Responses, as items 2024-001 and 2024-002, to be material weaknesses.

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

As part of obtaining reasonable assurance about whether the Lac Qui Parle Soil and Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

### **Lac Qui Parle Soil and Water Conservation District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Lac Qui Parle Soil and Water Conservation District's response to the findings identified in our audit and described in the accompanying Schedule of Prior and Current Findings and Responses. Lac Qui Parle Soil and Water Conservation District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that Lac Qui Parle Soil and Water Conservation District failed to comply with the provisions of the contracting - bid laws, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions, promulgated by the State Auditor pursuant to 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.

### **Purpose of Report**

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

*Kinner & Company Ltd*

Kinner & Company Ltd  
Certified Public Accountants

August 29, 2025

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT**  
**FINDINGS AND RESPONSES**  
**DECEMBER 31, 2024**

**STATUS OF PRIOR AUDIT FINDINGS**

**2023-001:** A material weakness was reported due to the lack of segregation of duties within the organization. The finding continues to exist and has been restated as Finding 2024-001.

**2023-002:** A material weakness was reported for material audit adjustments to the financial statements. The finding continues to exist and has been restated as Finding 2024-002.

**2023-003:** A compliance finding was reported for insufficient collateral over funds. This finding has been resolved for 2024.

**CURRENT YEAR FINDINGS**

**2024-001:** Lack of Segregation of Duties

**Condition:** A lack of segregation of duties over revenues and expenditures exists which could result in errors not being found in a timely manner.

**Criteria:** Internal controls can help the District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the District complies with laws and regulations.

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

**Effect:** The District has a limited number of employees who prepare all records for revenue and expenditures. This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

**Recommendation:** We recommend the Board of Supervisors take continue to take an active role in their oversight over revenue and expenditures.

**Corrective Action Plan and Council Response:**

The following compensating controls are presently in place:

1. The Board of Supervisors review and approve all bills.
2. The Board of Supervisors and/or other personnel periodically review various expenditure reports for amounts, classifications and comparison to budget.

Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

**LAC QUI PARLE SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT**  
**FINDINGS AND RESPONSES**  
**DECEMBER 31, 2024**

**CURRENT YEAR FINDINGS (Continued)**

**2024-002 Finding:** Audit Adjustments

**Condition:** The District 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.

**Cause:** Turnover in staff during the year resulted in inadequate financial reporting.

**Effect:** Auditors proposed material audit adjustments for financial statements to be reported in accordance with generally accepted accounting principles.

**Recommendation:** It is the responsibility of management and those charged with governance to determine whether to accept this risk associated with this condition because of cost or other considerations.

**Corrective Action Plan and Council Response:** Due to the District's size, we will accept the risk associated with this condition based on cost and other considerations.