

**NORTH CENTRAL MINNESOTA
SWCD'S JOINT POWERS BOARD
BRAINERD, MINNESOTA**

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2022

HUGH HEINECKE, CPA
Certified Public Accountants

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

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Hugh Heinecke, CPA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
North Central Minnesota
SWCD's Joint Powers Board
Brainerd, Minnesota**

We have audited the accompanying financial statements of the governmental activities and the general fund of North Central Minnesota SWCD's Joint Powers Board, Brainerd, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 North Central Minnesota SWCD's Joint Powers Board, Brainerd, Minnesota, as of June 30, 2022, and the respective changes in financial position, and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the required supplementary schedules for the defined benefit pension plan on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 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 obtain 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.

Heyl Neimecke, CPA

February 26, 2023

North Central Minnesota SWCD's Joint Powers Board
Brainerd, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Central Minnesota SWCD's Joint Powers Board's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Transmittal Letter and the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section) and 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, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since District's are single-purpose, special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations.

The Statement of Net Position and the Statement of Activities

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

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

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

Reporting the District's General Fund

Fund Financial Statements

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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE DISTRICT AS A WHOLE

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

Net Position:

	Governmental Activities	
	6/30/22	6/30/21
Current and other assets	370,339	370,569
Capital assets	<u>50,219</u>	<u>66,944</u>
Total assets	420,558	437,513
Deferred outflows of resources	<u>127,870</u>	<u>99,886</u>
Combined Assets and Deferred Outflows of Resources	<u>548,428</u>	<u>537,399</u>
Current liabilities	206,099	230,767
Long-term liabilities	<u>178,421</u>	<u>135,455</u>
Total liabilities	384,520	366,222
Deferred inflows of resources	<u>104,739</u>	<u>123,294</u>
Combined Liabilities and Deferred Inflows of Resources	<u>489,259</u>	<u>489,516</u>
Net position		
Investment in capital assets	50,219	66,944
Unrestricted	<u>8,950</u>	<u>-19,061</u>
Total net position	<u>59,169</u>	<u>47,883</u>

Net position of the District's governmental activities increased by \$11,286. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from a \$19,061 deficit at June 30, 2021 to a \$8,950 surplus as of June 30, 2022.

Changes in Net Position:

	Governmental Activities	
	<u>6/30/22</u>	<u>6/30/21</u>
Revenues		
Program revenues:		
Charges for services	29,391	45,998
State grants and entitlements	418,769	523,877
Other program revenues	-	-
General revenues:		
Other general revenues	811	438
Total revenues	<u>448,971</u>	<u>570,313</u>
Program expenses		
Conservation	<u>437,685</u>	<u>499,241</u>
Total expenses	<u>437,685</u>	<u>499,241</u>
Increase/(decrease) in net position	<u>11,286</u>	<u>71,072</u>

THE DISTRICT'S GENERAL FUND

As the District completed the year, its general fund (as presented in the balance sheet) reported a fund balance of \$164,240, which is more than last year's balance of \$139,802.

General Fund Budgetary Highlights

Over the course of the year, the Board did not revise the Joint Powers Board's budget.

The actual revenues were \$51,771 under budgeted amounts. The most significant negative variance of \$66,973 occurred in State sources.

The actual charges to appropriations (expenditures) were \$61,807 under the budgeted amounts. There were most significant variance in appropriations was in Project Expenditures.

Capital Assets

At June 30, 2022, the Board had \$50,219 invested in net capital assets. This amount represents a net decrease (including additions and deductions) of \$16,725 from last year.

Long-Term Liabilities

At June 30, 2022, the District had \$12,100 in accrued compensated absences and \$166,321 in net pension liability. This compares to \$15,883 on June 30, 2020 for accrued compensated absences and \$119,572 for net pension liability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Central Minnesota SWCD's Joint Powers Board, 322 Laurel Street, Suite 22, Brainerd, Minnesota 56401.

NORTH CENTRAL MINNESOTA
SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET**
As of June 30, 2022

	General Fund	Adjustments See Notes	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 364,163	\$ -	\$ 364,163
Accounts receivable	6,176	-	6,176
Capital Assets:			
Equipment (net of accumulated depreciation)	_____	50,219	50,219
Total Assets	370,339	50,219	420,558
DEFERRED OUTFLOWS OF RESOURCES			
Defined benefit pension plan	_____	127,870	127,870
Combined Assets and Deferred Outflows of Resources	\$ 370,339	\$ 178,089	\$ 548,428
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 142	\$ -	\$ 142
Accrued payroll taxes payable	4,333	-	4,333
Unearned revenue	201,624	-	201,624
Long-Term Liabilities:			
Net pension liability		166,321	166,321
Due after one year	_____	12,100	12,100
Total Liabilities	206,099	178,421	384,520
DEFERRED INFLOWS OF RESOURCES			
Defined benefit pension plan	_____	104,739	104,739
Combined Liabilities and Deferred Inflows of Resources	\$ 206,099	\$ 283,160	\$ 489,259
FUND BALANCE/NET POSITION			
Fund Balance:			
Unrestricted			
Unassigned	\$ 164,240	\$ (164,240)	\$ _____
Total Fund Balance	\$ 164,240	\$ (164,240)	\$ _____
Net Position:			
Investment in capital assets		\$ 50,219	\$ 50,219
Unrestricted		8,950	8,950
Total Net Position		\$ (105,071)	\$ 59,169

See notes to basic financial statements.

NORTH CENTRAL MINNESOTA
SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

**STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
For the year ended June 30, 2022

	General Fund	Adjustments See Notes	Statement of Activities
REVENUES			
Intergovernmental	\$ 418,027	\$ 742	\$ 418,769
Charges for services	29,391	-	29,391
Investment earnings	811	-	811
Miscellaneous	-	-	-
Total Revenues	448,229	742	448,971
EXPENDITURES			
Conservation			
Current	423,791	13,894	437,685
Capital outlay	-	-	-
Total Expenditures	423,791	13,894	437,685
Excess of Revenues Over/ (Under) Expenditures	24,438	(13,152)	11,286
Fund Balance/Net Position-7/1/21	139,802	(91,919)	47,883
Fund Balance/Net Position-6/30/22	\$ 164,240	\$ (105,071)	\$ 59,169

See notes to basic financial statements.

NORTH CENTRAL MINNESOTA
SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

**BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND**

For the year ended June 30, 2022

	Budgeted Amounts		Actual	Favorable (Unfavorable) Budget Variance
	Original	Final		
REVENUES				
Intergovernmental				
State sources	\$ 485,000	\$ 485,000	\$ 418,027	\$ (66,973)
Charges for services	15,000	15,000	29,391	14,391
Investment earnings	-	-	811	811
Miscellaneous	-	-	-	-
Total Revenues	500,000	500,000	448,229	(51,771)
EXPENDITURES				
District Operations				
Personnel services	194,169	194,169	215,274	(21,105)
Other services and charges	67,779	67,779	55,625	12,154
Supplies	7,500	7,500	2,344	5,156
Capital outlay	8,000	8,000	-	8,000
Total District Operations	277,448	277,448	273,243	4,205
Project Expenditures	208,150	208,150	150,548	57,602
Total Expenditures	485,598	485,598	423,791	61,807
Excess of Revenues Over/(Under) Expenditures	14,402	14,402	24,438	10,036
Fund Balance - July 1	139,802	139,802	139,802	-
Fund Balance - June 30	\$ 154,204	\$ 154,204	\$ 164,240	\$ 10,036

See notes to basic financial statements.

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the North Central Minnesota SWCD's Joint Powers Board conform to accounting principles generally accepted in the United State of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

A. Reporting Entity

The Board is organized under the provisions of Minnesota Statutes and is governed by a Board composed of one member from each of the participating Soil and Water Conservation Districts.

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

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

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 Board does not have any component units.

B. Basis of Presentation – Fund Accounting

The accounts of the North Central Minnesota SWCD's Joint Powers Board are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

1. Government Fund: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the Board.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the Board. The Statement of Activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function. 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 expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide Financial Statements (Continued)

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

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

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

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

Investment earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

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

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

D. Budget Information

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

E. Use of Estimates

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

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net

Position

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

Liabilities – Long-term liabilities, such as compensated absences and net pension liability, are accounted for in the governmental activities at the government-wide level.

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

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

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

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

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

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

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

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

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

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

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

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

Committed balances can only be used for specific purposes because of a formal action by the government's highest level of decision-making authority.

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

Unassigned balances are the residual classification for the general fund (i.e. everything that is not in another classification or in another fund).

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

G. Vacation and Sick Leave

Under the Board's personnel policies, employees are granted vacation leave in varying amounts based on length of service. Vacation leave accrual varies from 8 to 12 hours per month. Sick leave accrues at 8 hours per month until 960 hours are accumulated, thereafter 4 hours per month are accrued. The limit on vacation accumulation is 192 hours and there is no limit on the accumulation of sick leave. Upon termination of employment from the JPB, employees are paid for all unused vacation time and -0- hours of sick leave.

H. 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 Board has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount 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 Absence Liability and Net Pension Liability the Board has as of the report date.

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

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS
As of June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Subsequent Events

In preparing the financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through February 26, 2023, the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the Board to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes 118A.03 requires that all Board deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk Deposits – Custodial risk is the risk that in the event of a financial institution failure, the Board's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. As of June 30, 2022, the Board's deposits were not exposed to custodial credit risk.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is as follows:

	Balance		Balance
	06-30-21	Additions	06-30-22
Equipment	\$ 165,264	\$ -	\$ 165,264
Accumulated depreciation	(98,320)	(16,725)	(115,045)
Net Capital Assets	\$ 66,944		\$ 50,219

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years. Depreciation expense for the year ended June 30, 2022 is \$16,725.

The Board uses a threshold of \$1,000 for capitalizing assets purchased. Those physical assets under \$1,000 are expensed directly and not capitalized.

4. COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of accrued vacation payable to employees as of June 30, 2022. Changes for the year ended June 30, 2022 is as follows:

Balance - July 1, 2021	\$ 15,883
Net change in compensated absences	(3,783)
Balance - June 30, 2022	\$ 12,100

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

5. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plans - Statewide

Plan Description – The Board participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plan is 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.

The General Employees Retirement Plan cover certain full time and part-time employees of the Board. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

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

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

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

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in the fiscal year 2021 and the Board was required to contribute 7.5% for Coordinated Plan members. The Board's contributions to the General Employees Fund for the year ended June 30, 2022 were \$12,348. The Board's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2022, the Board reported a liability of \$104,739 for its proportionate share of the General Employees Fund's net pension liability. The Board's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS
As of June 30, 2022

5. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Defined Benefit Pension Plans – Statewide (Continued)

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 Board totaled \$10,046.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Board's proportionate share of the net pension liability was based on the Board's contributions received by PERA during the measurement period for employer payroll dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Board's proportionate share was .0021 percent which was at the end of the measurement period and .0028 percent for the beginning of the period.

Board's proportionate share of the net pension liability	\$ 166,321
State of Minnesota's proportionate share of the net pension liability associated with the Board	<u>10,046</u>
Total	<u>\$ 176,367</u>

For the year ended June 30, 2022, the Board recognized pension expense of \$25,647 for its proportionate share of the General Employees Plan's pension expense. In addition, the Board recognized \$742 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2022, the Board 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,389	\$ 2,353
Changes in actuarial assumptions	49,810	837
Difference between projected and actual investment earnings	67,911	84,734
Changes in proportion	8,760	16,815
Contributions to PERA subsequent to the measurement date (7/1/21 - 6/30/22)	<u>-</u>	<u>-</u>
Total	<u>\$ 127,870</u>	<u>\$ 104,739</u>

The \$14,348 reported as deferred inflows of resources related to pensions resulting from Board contributions subsequent to the measurements date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2023	\$ 13,999
2024	12,056
2025	(17,966)
2026	15,042
2027	-
Thereafter	-

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS
As of June 30, 2022

5. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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. The ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5%	5.10%
International stocks	16.5%	5.30%
Bonds (Fixed income)	25.0%	0.75%
Alternative assets (Private Markets)	25.0%	5.90%

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

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate – The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions,

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD

Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2022

5. **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION** (Continued)

Discount Rate (Continued)

the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Board's proportionate share of the GERF net pension liability:	\$262,712	\$166,321	\$ 87,265

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.pera.org.

6. **RISK MANAGEMENT**

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

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

7. **CONTINGENCIES**

Board management is aware of no existing, pending, or threatened legal action against the Board at June 30, 2022.

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

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO FINANCIAL STATEMENTS
As of June 30, 2022

8. RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance – July 1	\$ 139,802
Add: Excess of Revenue over Expenditures	<u>24,438</u>
Governmental Fund Balance – June 30	\$ 164,240
Adjustment from Fund Balance to Net Position:	
Plus: Capital Assets	50,219
Plus: Deferred Outflows of Resources	127,870
Less: Long-Term Liabilities	-178,421
Less: Deferred Inflows of Resources	<u>-104,739</u>
Net Position	<u>\$ 59,169</u>

9. RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$ 24,438
Grant revenue for proportionate share of State of Minnesota's special funding situation	742
Capital Outlay	-
Pension Expense, net	-952
The cost of capital assets are allocated over the capital assets' useful lives at the government-wide level	-16,725
In the statement of activities certain operating expenses (including compensated absences) are measured by the amounts earned	<u>3,783</u>
Change in Net Position	<u>\$ 11,286</u>

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

**SCHEDULE OF NORTH CENTRAL MINNESOTA SWCD'S
JOINT POWERS BOARD CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
LAST TEN YEARS**

For the Year Ended June 30, 2022

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)
2022	\$ 12,348	\$ 12,348	\$ -0-	\$ 164,641	7.50%
2021	\$ 14,346	\$ 14,346	\$ -0-	\$ 191,309	7.50%
2020	\$ 13,708	\$ 13,708	\$ -0-	\$ 182,771	7.50%
2019	\$ 13,177	\$ 13,177	\$ -0-	\$ 175,688	7.50%
2018	\$ 12,709	\$ 12,709	\$ -0-	\$ 169,459	7.50%
2017	\$ 12,654	\$ 12,654	\$ -0-	\$ 168,691	7.50%
2016	\$ 9,162	\$ 9,162	\$ -0-	\$ 122,160	7.50%
2015	\$ 8,326	\$ 8,326	\$ -0-	\$ 111,013	7.50%
2014	\$ 7,694	\$ 7,694	\$ -0-	\$ 109,780	7.01%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

**SCHEDULE OF NORTH CENTRAL MINNESOTA SWCD'S
JOINT POWERS BOARD PROPORATIONATE
SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
LAST TEN YEARS**

For the Year Ended June 30, 2022

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Assets)(a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with NC MN SWCD's JPB (b)		Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with NC MN SWCD's JPB (a + b)
June 30, 2022	0.0021%	\$ 166,321	\$	10,046	\$ 176,367
June 30, 2021	0.0028%	\$ 119,572	\$	3,543	\$ 123,115
June 30, 2020	0.0026%	\$ 155,882	\$	4,663	\$ 160,545
June 30, 2019	0.0024%	\$ 132,691	\$	4,166	\$ 136,857
June 30, 2018	0.0025%	\$ 138,690	\$	4,581	\$ 143,272
June 30, 2017	0.0026%	\$ 165,982	\$	2,102	\$ 168,084
June 30, 2016	0.0020%	\$ 162,390	\$	N/A	\$ 162,390
June 30, 2015	0.0019%	\$ 98,468	\$	N/A	\$ 98,468
June 30, 2014	0.0020%	\$ 93,950	\$	N/A	\$ 93,950

Fiscal Year Ending	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 the Total Pension Liability
June 30, 2022	\$ 164,641	107.12%	76.7%
June 30, 2021	\$ 191,309	64.35%	87.0%
June 30, 2020	\$ 182,771	87.84%	79.1%
June 30, 2019	\$ 175,688	77.90%	80.2%
June 30, 2018	\$ 169,459	84.55%	79.5%
June 30, 2017	\$ 168,691	99.64%	75.9%
June 30, 2016	\$ 122,160	132.93%	68.9%
June 30, 2015	\$ 111,013	88.70%	78.2%
June 30, 2014	\$ 109,780	85.58%	78.8%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
For the Year Ended June 30, 2022

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
For the Year Ended June 30, 2022

1. CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2044.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed from 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

NORTH CENTRAL MINNESOTA SWCD'S JOINT POWERS BOARD
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEES RETIREMENT FUND
For the Year Ended June 30, 2022

1. CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contributions of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Hugh Heinecke, CPA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

**To the Board of Supervisors
North Central Minnesota SWCD's
Joint Powers Boards
Brainerd, Minnesota**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of North Central Minnesota SWCD's Joint Powers Board, Brainerd, Minnesota, as of and for the year ended June 30, 2022, and the related notes to financial statements, and have issued our report thereon dated February 26, 2023.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the Board is not allowed to issue debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the provisions of the contracting and bidding, 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 Board's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended for the information and use of those charged with governance and the Board of Supervisors, Minnesota Board of Water and Soil Resources, and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hugh Heinecke, CPA

February 26, 2023