

**CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
BRAINERD, MINNESOTA**

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2021

HUGH HEINECKE, CPA  
Certified Public Accountants

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

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CROW WING SOIL AND WATER CONSERVATION DISTRICT  
Brainerd, Minnesota

**ORGANIZATION**

As of December 31, 2021

**Elective Offices:**

Board of Supervisors

Jim Chamberlin  
Diane Jacobson  
Leonard Koering  
Roger Waytashek  
JoAnn Weaver

**Appointed Offices:**

District Manager

Melissa Barrick

*Hugh Heinecke, CPA*  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Supervisors  
Crow Wing Soil and Water  
Conservation District  
Brainerd, Minnesota**

**Opinion**

We have audited the accompanying financial statements of the governmental activities and the general fund of Crow Wing Soil and Water Conservation District, Brainerd, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District'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 Crow Wing Soil and Water Conservation District, Brainerd, Minnesota, as of December 31, 2021, and the respective changes in financial position, and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Crow Wing Soil and Water Conservation District, Brainerd, Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 Crow Wing Soil and Water Conservation District, Brainerd, Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Crow Wing Soil and Water Conservation District, Brainerd, 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 Crow Wing Soil and Water Conservation District, Brainerd, 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The management's discussion and analysis on pages 4 through 6 and the required supplementary schedules for the defined benefit pension plan on pages 22 and 23 are 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.

*Hugh Heinicke, CPA*

December 2, 2022

# **Crow Wing Soil & Water Conservation District**

## **Brainerd, Minnesota**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Crow Wing 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, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the 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	
	2021	2020
Current and other assets	1,203,485	924,508
Capital assets	283	3,584
Total assets	1,203,768	928,092
Deferred outflows of resources	140,411	36,269
Combined Assets and Deferred Outflows of Resources	1,344,179	964,361
Current liabilities	1,054,387	753,948
Long-term liabilities	168,977	211,147
Total liabilities	1,223,364	965,095
Deferred inflows of resources	163,919	38,797
Combined Liabilities and Deferred Inflows of Resources	1,387,283	1,003,892
Net position		
Investment in capital assets	283	3,584
Unrestricted	-43,387	-43,115
Total net position	-43,104	-39,531

Net position of the District's governmental activities decreased by \$3,573. 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 \$43,115 deficit at December 31, 2020 to a \$43,387 deficit as of December 31, 2021.

## Changes in Net Position:

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	304,841	1,379,019
State grants and entitlements	328,002	761,090
County grants and entitlements	8,736	4,079
Local grants and entitlements	6,108	6,046
Other program revenues	-	-
General revenues:		
Other general revenues	<u>5,694</u>	<u>6,358</u>
Total revenues	<u>653,381</u>	<u>2,156,952</u>
<b>Program expenses</b>		
Conservation	<u>656,954</u>	<u>2,103,168</u>
Total expenses	<u>656,954</u>	<u>2,103,168</u>
<b>Increase/(decrease) in net position</b>	<u>-3,573</u>	<u>53,784</u>

The District's total revenues decreased by \$1,503,571. The total cost of all programs and services decreased by \$1,446,214.

## 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 \$149,098, which is less than last year's balance of \$170,560.

### General Fund Budgetary Highlights

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

The actual charges to appropriations (expenditures) were \$167,328 above the budgeted amounts. The most significant negative variance of \$235,781 occurred in the Project Expenditures. This variance was covered in part by the additional \$155,841 of Charges for Services.

### Capital Assets

At the end of 2021, the District had \$283 invested in net capital assets. This amount represents a net decrease (including additions and deductions) of \$3,301 from last year.

### Long-Term Liabilities

At the end of 2021, the District had \$15,237 in accrued compensated absences and \$153,740 in net pension liability. This compares to \$25,284 in 2020 for accrued compensated absences and \$185,863 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 District Manager, Crow Wing Soil and Water Conservation District, 322 Laurel Street, Suite 22, Brainerd, Minnesota 56401.

CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
Brainerd, Minnesota

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET**

As of December 31, 2021

	General Fund	Adjustments See Notes	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$1,043,150	\$ -	\$1,043,150
Accounts receivable	12,198	-	12,198
Due from other governmental units	145,352	-	145,352
Inventory	2,785	-	2,785
Capital Assets:			
Equipment (net of accumulated depreciation)		283	283
Total Assets	1,203,485	283	1,203,768
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Defined benefit pension plan		140,411	140,411
<b>Combined Assets and Deferred     Outflows of Resources</b>	<b>\$1,203,485</b>	<b>\$ 140,694</b>	<b>\$1,344,179</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 2,843	\$ -	\$ 2,843
Salaries and wages payable	4,829	-	4,829
Accrued payroll taxes payable	3,454	-	3,454
Sales tax payable	51	-	51
Unearned revenue	1,043,210	-	1,043,210
<b>Long-Term Liabilities:</b>			
Net pension liability		153,740	153,740
Due after one year		15,237	15,237
Total Liabilities	1,054,387	168,977	1,223,364
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Defined benefit pension plan		163,919	163,919
<b>Combined Liabilities and     Deferred Inflows of Resources</b>	<b>\$1,054,387</b>	<b>\$ 332,896</b>	<b>\$1,387,283</b>
<b>FUND BALANCE/NET POSITION</b>			
<b>Fund Balance:</b>			
Unrestricted			
Nonspendable	\$ 2,785	\$ (2,785)	\$ -
Unassigned	146,313	(146,313)	-
<b>Total Fund Balance</b>	<b>\$ 149,098</b>	<b>\$ (149,098)</b>	<b>\$ -</b>
<b>Net Position:</b>			
Investment in capital assets		\$ 283	\$ 283
Unrestricted		(43,387)	(43,387)
<b>Total Net Position</b>		<b>\$ (192,202)</b>	<b>\$ (43,104)</b>

See notes to basic financial statements.

CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
Brainerd, Minnesota

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
For the year ended December 31, 2021

	General Fund	Adjustments See Notes	Statement of Activities
<b>REVENUES</b>			
Intergovernmental	\$ 342,468	\$ 378	\$ 342,846
Charges for services	304,841	-	304,841
Investment earnings	5,599	-	5,599
Miscellaneous	95	-	95
<b>Total Revenues</b>	<b>653,003</b>	<b>378</b>	<b>653,381</b>
<b>EXPENDITURES</b>			
Conservation			
Current	674,465	(17,511)	656,954
Capital outlay	-	-	-
<b>Total Expenditures</b>	<b>674,465</b>	<b>(17,511)</b>	<b>656,954</b>
<b>Excess of Revenues Over/ (Under) Expenditures</b>	(21,462)	17,889	(3,573)
<b>Fund Balance/Net Position-Jan 1</b>	170,560	(210,091)	(39,531)
<b>Fund Balance/Net Position-Dec 31</b>	<b>\$ 149,098</b>	<b>\$ (192,202)</b>	<b>\$ (43,104)</b>

See notes to basic financial statements.

**CROW WING SOIL AND WATER  
CONSERVATION DISTRICT**  
Brainerd, Minnesota

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

For the year ended December 31, 2021

	Budgeted Amounts		Actual	Favorable (Unfavorable) Budget Variance
	Original	Final		
<b>REVENUES</b>				
Intergovernmental				
State sources	\$ 338,961	\$ 338,961	\$ 327,624	\$ (11,337)
County sources	5,713	5,713	8,736	3,023
Local sources	-	-	6,108	6,108
Charges for services	149,000	149,000	304,841	155,841
Investment earnings	6,000	6,000	5,599	(401)
Miscellaneous	8,000	8,000	95	(7,905)
	<b>507,674</b>	<b>507,674</b>	<b>653,003</b>	<b>145,329</b>
<b>EXPENDITURES</b>				
District Operations				
Personnel services	410,000	410,000	366,900	43,100
Other services and charges	58,137	58,137	31,987	26,150
Supplies	9,000	9,000	9,797	(797)
Capital outlay	-	-	-	-
	<b>477,137</b>	<b>477,137</b>	<b>408,684</b>	<b>68,453</b>
Project Expenditures				
District	30,000	30,000	118,311	(88,311)
State	-	-	147,470	(147,470)
	<b>30,000</b>	<b>30,000</b>	<b>265,781</b>	<b>(235,781)</b>
	<b>507,137</b>	<b>507,137</b>	<b>674,465</b>	<b>(167,328)</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	537	537	(21,462)	(21,999)
<b>Fund Balance - January 1</b>	<b>170,560</b>	<b>170,560</b>	<b>170,560</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 171,097</b>	<b>\$ 171,097</b>	<b>\$ 149,098</b>	<b>\$ (21,999)</b>

See notes to basic financial statements.

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

The District is not considered a part of Crow Wing County because, even though the County provides a significant amount of support in the form of office space and related expenses, it does not retain any control over the operations of the District.

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

**B. Basis of Presentation – Fund Accounting**

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

**1. Government Fund: General Fund**

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

**C. Government-Wide Financial Statements**

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**C. Government-Wide Financial Statements** (Continued)

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

**Fund Financial Statements**

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

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

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

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District 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 and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

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

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

**D. Budget Information**

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**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.

**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 as an adjustment of net position.

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

**Classification of Net Position** – Net position in government-wide financial statements 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 District has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

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

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

**Classification of Fund Balances** – Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the 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 District 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 District's personnel policies, employees are granted vacation leave in varying amounts based on length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrues at 6 days per year. The limit on vacation accumulation is 240 hours and for sick leave is 160 hours. All employees who retire, resign or are terminated are entitled to receive pay 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 District 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 District has as of the report date.

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**H. Explanation of Adjustments Column in Statements** (Continued)

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.

**I. Subsequent Events**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date the financial statements were available to be issued.

**2. DEPOSITS AND CUSTODIAL RISK DEPOSITS**

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

Authorized collateral includes treasury bills, 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 District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, the District’s deposits were not exposed to custodial credit risk.

**3. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2021 is as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
	<b>12-31-20</b>			<b>12-31-21</b>
Vehicles	\$ 49,501	\$ -	\$ -	\$ 49,501
Furniture and equipment	19,485	-	-	19,485
	68,986	-	-	68,986
Accumulated depreciation	(65,402)	(3,301)	-	(68,703)
<b>Net Capital Assets</b>	<b>\$ 3,584</b>	<b>\$ (3,301)</b>	<b>\$ -</b>	<b>\$ 283</b>

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 3 to 10 years. Depreciation expense for the year ended December 31, 2021 is \$3,301.

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

**4. COMPENSATED ABSENCES PAYABLE**

Compensated absences payable consists of accrued vacation and sick leave payable to employees as of December 31, 2021. Changes for the year ended December 31, 2021 is as follows:

Balance - January 1, 2021	\$ 25,284
Additions/deletions	<u>(10,047)</u>
<b>Balance - December 31, 2021</b>	<b>\$ <u>15,237</u></b>

**5. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Defined Benefit Pension Plans - Statewide**

**Plan Description** – The District 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 plan is tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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

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

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

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**Defined Benefit Pension Plans – Statewide** (Continued)

**Contributions** (Continued)

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in the fiscal year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending December 31, 2021 were \$19,219. The District's contributions were equal to the required contributions as set by state statute.

**Pension Costs** – At December 31, 2021, the District reported a liability of \$153,740 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$4,682.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021 the District's proportion share was .0036 percent at the end of the period and .0031 percent for the beginning of the period.

District's proportionate share of net pension liability	\$153,740
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>4,682</u>
Total	<u>\$158,422</u>

For the year ended December 31, 2020, the District recognized pension expense of \$8,454 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$378 as and grant revenue for its proportionate share of the State of Minnesota's annual contribution of \$16 million.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 814	\$ 4,629
Changes in actuarial assumptions	93,868	2,929
Difference between projected and actual investment earnings	14,024	149,428
Changes in proportion	22,483	6,933
Contributions to PERA subsequent to the measurement date	<u>9,222</u>	<u>-</u>
Total	<u>\$140,411</u>	<u>\$163,919</u>

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**Defined Benefit Pension Plans – Statewide** (Continued)

**Pension Costs** (Continued)

A total of \$9,222 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2022	\$ (6,605)
2023	4,616
2024	5,573
2025	(36,314)
2026	-
Thereafter	-

**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	35.5%	5.10%
International stocks	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%

**Actuarial Methods and Assumptions** – The total pension liability in the June 30, 2021 actuarial valuation was determined using and individual entry-age normal actuarial cost method. The long-term rate of return on the pension plan investments used in the determination of the total liability in 6.50%. 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 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 29 years of service and 6.00% per year thereafter.

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

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

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

**Defined Benefit Pension Plans – Statewide** (Continued)

**Actuarial Methods and Assumptions** (Continued)

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

Changes in actuarial assumptions:

- The investment return and single discount rates were changes 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.

**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, the fiduciary net position of the General Employees Fund was projected to be available to make all return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District’s proportionate share of the GERF net pension liability:	\$313,543	\$153,736	\$ 22,605

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

**6. REQUIRED DISCLOSURES**

**County Revenue** - Following is a breakdown of revenues received from Crow Wing during the year ended December 31, 2021:

Wetland Money	\$ 8,736
Other	-
<b>Total</b>	<b>\$ 8,736</b>

**Unearned Revenue** - Unearned revenue represents advances from the Board of Water and Soil Resources (BWSR) for the cost-share program and other grants and programs. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2021, consists of the following:

BWSR Service Grants	\$ 230,047
BWSR Cost-Share Grants:	
Unencumbered - current fiscal year	9,607
Unencumbered - prior fiscal years	1,427

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

**6. REQUIRED DISCLOSURES** (Continued)

**Unearned Revenue** (Continued)

Breezy Point Place - TLWD	2,202
Buffer Law FY21	5,222
Buffer Law FY22	8,500
State WCA	636
DNR LCCMR Easement	22,426
Cooperative Weed Management	18,732
Coordinated Mill-Sewer	151,479
Whiskey Creek Project	443,557
Pine River Fish Passage	75,000
Pine Rives Watershed Protection	37,337
Serpent Lake local match	35,720
Big Trout match	589
Lake Friendly Award Ceremony	729
<b>Total</b>	<b><u>\$1,043,210</u></b>

**7. RISK MANAGEMENT**

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

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

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.

**8. CONTINGENCIES**

District management is aware of no existing, pending, or threatened legal action against the District at December 31, 2021.

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

**CROW WING SOIL AND WATER CONSERVATION DISTRICT**  
Brainerd, Minnesota

**NOTES TO FINANCIAL STATEMENTS**  
As of December 31, 2021

**9. RECONCILIATION OF FUND BALANCE TO NET POSITION**

Governmental Fund Balance – January 1	\$ 170,560
Add: Excess of Revenues over Expenditures	<u>-21,462</u>
Governmental Fund Balance – December 31	149,098
Adjustment from Fund Balance to Net Position:	
Plus: Capital Assets	283
Plus: Deferred Outflows of Resources	140,411
Less: Long-Term Liabilities	-168,977
Less: Deferred Inflows of Resources	<u>-163,919</u>
Net Position	<u>\$ -43,104</u>

**10. RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION**

Change in Fund Balance	\$ -21,462
Grant revenue for proportionate share of State of Minnesota's special funding situation	378
Capital Outlay	-
Pension Expense, net	10,765
The cost of capital assets are allocated over the capital assets' useful lives at the government-wide level	-3,301
In the statement of activities certain operating expenses (including depreciation, compensated absences and net pension expense) are measured by the amounts earned	<u>10,047</u>
Change in Net Position	<u>\$ -3,573</u>

**CROW WING SOIL AND WATER  
CONSERVATION DISTRICT**  
Brainerd, Minnesota

**SCHEDULE OF CROW WING SWCD CONTRIBUTIONS  
GENERAL EMPLOYEES RETIREMENT FUND  
LAST TEN YEARS**

For the Year Ended December 31, 2021

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, 2021	\$ 19,219	\$ 19,219	\$ -0-	\$ 256,268	7.50%
December 31, 2020	\$ 18,510	\$ 18,510	\$ -0-	\$ 246,797	7.50%
December 31, 2019	\$ 16,150	\$ 16,150	\$ -0-	\$ 215,333	7.50%
December 31, 2018	\$ 15,323	\$ 15,323	\$ -0-	\$ 204,308	7.50%
December 31, 2017	\$ 16,285	\$ 16,285	\$ -0-	\$ 215,128	7.50%
December 31, 2016	\$ 15,253	\$ 15,253	\$ -0-	\$ 203,372	7.50%
December 31, 2015	\$ 12,733	\$ 12,733	\$ -0-	\$ 169,771	7.50%

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**CROW WING SOIL AND WATER  
CONSERVATION DISTRICT**  
Brainerd, Minnesota

**SCHEDULE OF CROW WING SWCD PROPORTIONATE  
SHARE OF NET PENSION LIABILITY  
GENERAL EMPLOYEES RETIREMENT FUND  
LAST TEN YEARS**

For the Year Ended December 31, 2021

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 Crow Wing SWCD (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with Crow Wing SWCD (a + b)
June 30, 2021	0.0036%	\$ 153,740	\$ 4,682	\$ 158,422
June 30, 2020	0.0031%	\$ 185,863	\$ 5,739	\$ 191,602
June 30, 2019	0.0031%	\$ 171,395	\$ 5,333	\$ 176,728
June 30, 2018	0.0036%	\$ 199,715	\$ 6,519	\$ 206,234
June 30, 2017	0.0032%	\$ 204,286	\$ 2,598	\$ 206,884
June 30, 2016	0.0031%	\$ 251,705	\$ 3,245	\$ 254,950
June 30, 2015	0.0026%	\$ 134,745	N/A	\$ 134,745

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, 2021	\$ 258,479	61.29%	87.0%
June 30, 2020	\$ 225,693	84.89%	79.1%
June 30, 2019	\$ 215,333	80.94%	80.2%
June 30, 2018	\$ 208,149	99.08%	79.5%
June 30, 2017	\$ 208,337	99.30%	75.9%
June 30, 2016	\$ 190,464	133.86%	68.9%
June 30, 2015	\$ 159,181	84.65%	78.2%

\* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL EMPLOYEES RETIREMENT FUND  
For the Year Ended December 31, 2021

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

**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.

**2019 Changes**

**Changes in Actuarial Assumptions**

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

CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL EMPLOYEES RETIREMENT FUND  
For the Year Ended December 31, 2021

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

**2019 Changes** (Continued)

**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.

CROW WING SOIL AND WATER  
CONSERVATION DISTRICT  
Brainerd, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL EMPLOYEES RETIREMENT FUND  
For the Year Ended December 31, 2021

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

**2016 Changes** (Continued)

**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  
Crow Wing Soil and Water  
Conservation District  
Brainerd, Minnesota**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Crow Wing Soil and Water Conservation District, Brainerd, Minnesota, as of and for the year ended December 31, 2021, and the related notes to financial statements, and have issued our report thereon dated December 2, 2022.

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

This report is intended for the information and use of those charged with governance and the management of Crow Wing Soil and Water Conservation District, 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*

December 2, 2022