



AGENDA

Dakota County Soil and Water Conservation District Board Meeting

Thursday, October 13, 2022 - 9:00 a.m.

Meeting Room 1 – Dakota County Extension and Conservation Center

4100 220th Street Farmington, MN 55024

1. Call to Order
2. Pledge of Allegiance
3. Audience
Anyone wishing to address the Board regarding an item that is not on the agenda may come forward at this time. Comments are limited to five minutes.
4. Recognition of 2022 Outstanding Conservationist – Dave and Maureen Fasbender
5. Approval of Agenda (Additions/Corrections/Deletions)

CONSENT AGENDA

To be adopted under one motion unless a request is made to move an item to Regular Agenda for discussion

6. Approval of September 8, 2022 Meeting Minutes
7. Approval of October 13, 2022 Accounts Payable
8. Acceptance of September Finance Report

REGULAR AGENDA

9. Authorization to Execute Contract with Jim Perry for Installation of Water and Sediment Control Basin Action
10. Authorization to Execute FY23 Grant Agreement with Minnesota Board of Water and Soil Resources for Buffer Law Implementation and Local Capacity Services Action
11. Authorization to Execute FY23 Grant Agreement with the Minnesota Board of Water and Soil Resources for Soil Health Cost Share Action
12. Approval of 2021 Financial Audit Report Action
13. Announcements and Reports
Natural Resources Conservation Service
Dakota County
Cannon River Watershed Joint Powers Board
Metropolitan Conservation Districts Joint Powers Board
Minnesota Association of Soil and Water Conservation Districts
District Managers Report
Board of Supervisor Announcements
14. Upcoming Events
October 13, 2022 Dakota County Soil and Water Conservation District Board Meeting
Extension and Conservation Center, 4100 220th Street West, Farmington – 9:00 a.m.
October 18, 2022 Eagan-Inver Grove Heights Watershed Management Organization Meeting
Inver Grove Heights City Hall, 8150 Barbara Avenue – 5:30 p.m.

- October 19, 2022 Lower Minnesota River Watershed District Meeting
Chaska City Hall, Once City Hall Plaza 2nd Floor – 7:00 p.m.
- October 27, 2022 Vermillion River Watershed Joint Powers Board Meeting
Extension and Conservation Center, 4100 220th Street West, Farmington – 1:00 p.m.
- November 9, 2022 Lower Mississippi River Watershed Management Organization Meeting
West St. Paul City Hall, 1616 Humboldt Avenue – 3:00 p.m.
- November 10, 2022 Dakota County Soil and Water Conservation District Board Meeting
Extension and Conservation Center, 4100 220th Street West, Farmington – 9:00 a.m.
- November 16, 2022 Metro Conservation Districts Joint Powers Board Meeting
Ramsey County Public Works, 1425 Paul Kirkwold Drive, Arden Hills – 4:00 p.m.
- November 18, 2022 Minnesota Association of Soil and Water Conservation Districts – Metro Area Meeting
Ramsey County Public Works, 1425 Paul Kirkwold Drive, Arden Hills – 9:00 a.m.

15. Adjourn



MEETING MINUTES

BOARD OF SUPERVISORS MEETING

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT

Thursday, September 8, 2022

9:00 a.m.

4100 220th Street W, Suite 102
Farmington, Minnesota

Board Members Present:

Laura Zanmiller, Chair
Kevin Chamberlain, Vice Chair
Jayne Hager Dee, Treasurer
Chelsea Skog, Secretary
Bruce Johnson, Information Officer

SWCD Staff Present:

Brian Watson
Curt Coudron
Lana Rotty
Pam LaValle
Todd Matzke

Others Present:

Georg Fischer, Dakota County
Mark Zabel, VRW JPO
Matthew Lundberg, NRCS
Lizzy Dawson, NRCS

1. Call to Order and Roll Call

Chair Zanmiller called the meeting to order at 9:00 a.m.

2. Pledge of Allegiance

Chair Zanmiller led the Board of Supervisors in the Pledge of Allegiance.

3. Audience

Chair Zanmiller asked if there was anyone in the audience that wished to address the Board on an item that is not on the agenda. Nobody came forward.

4. Approval of Agenda

22.184 Motion by Johnson, second by Chamberlain to approve the agenda. All members voting in favor. Motion carried.

CONSENT AGENDA

5. Approval of August 11, 2022 Meeting Minutes

The August 11, 2022 meeting minutes were presented. Watson noted a correction in the draft minutes under those in attendance. Corrections were noted and updates made.

6. Approval of September 2022 Accounts Payable

The September 2022 accounts payable was presented.

7. Authorization to Update Bank Signature Authorities with Castle Rock Bank

Current signers approved for checking and savings accounts: Brian Watson, Pamela LaValle, Laura Zanmiller, Kevin Chamberlain, Jayne Dee Hager, Chelsea Skog and Bruce Johnson.

Signers removed from account: Lana Rotty.

8. Acceptance of August Finance Report

The August finance report was presented.

Dee requested that each of the cover crop contracts listed under agenda items 9 through 15 be moved from the consent agenda to the regular agenda.

22.185 Motion by Johnson, second by Chamberlain to move consent agenda items 9 through 15 to the regular agenda. All members voting in favor. Motion carried.

22.186 Motion by Johnson, second by Chamberlain to approve the consent agenda items. Members voting in favor: Chamberlain, Zanmiller, Skog, Johnson, and Dee. Motion carried.

REGULAR AGENDA

- 9.** Authorize execution of a contract with Sand Coulee Prairie Farms LLC not to exceed \$1,425 for the establishment of a cover crop on 57 acres. The field is located in Douglas Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County.

22.187 Motion by Johnson, second by Chamberlain to execute contract with Sand Coulee Prairie Farms (22-IPP-43) not to exceed \$1,425 for establishing cover crop (1-year). Members voting in favor: Zanmiller, Skog, Johnson, Dee, and Chamberlain. Motion carried.

- 10.** Authorize execution of a contract with Peter Schweich not to exceed \$1,850 for the establishment of cover crop on 74 acres in Douglas Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County.

22.188 Motion by Chamberlain, second by Johnson to execute contract with Peter Schweich (22-IPP-30) not to exceed \$1,850 for establishing cover crop (1-year). Members voting in favor: Skog, Johnson, Dee, Chamberlain and Zanmiller. Motion carried.

- 11.** Authorize execution of two contracts with Dave Stein not to exceed \$1,000 and \$950 for establishment of a cover crop on a 40-acre field and 38-acre field in Douglas Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County.

22.189 Motion by Chamberlain, second by Johnson to execute two contracts with Dave Stein (22-IPP-38 and 22-IPP-40) not to exceed \$1,000 and \$950 for establishing cover crop (1-year). Members voting in favor: Johnson, Dee, Chamberlain, Zanmiller and Skog. Motion carried.

- 12.** Authorize execution of a contract with George Feidt not to exceed \$1,225 for the establishment of a cover crop on 49 acres in Douglas Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County.

22.190 Motion by Skog, second by Dee to execute a contract with George Feidt (22-IPP-38) not to exceed \$1,225 for establishing cover crop (1-year). Members voting in favor: Dee, Chamberlain, Zanmiller, Skog and Johnson. Motion carried.

- 13.** Authorize execution of a contract with Peine Farms not to exceed \$2,500 for establishment of a cover crop on 138 acres in Hampton Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County.

22.191 Motion by Dee, second by Johnson to execute contract with Peine Farms (22-IPP-34) not to exceed \$2,500 for establishing cover crop (1-year). Members voting in favor: Chamberlain, Zanmiller, Skog, Johnson, and Dee. Motion carried.

- 14.** Authorize execution of three contracts with Peine Farms not to exceed \$10,500, \$8,400, and \$8,400 for the establishment of cover crops in Douglas Township in the Cannon River Watershed. Project funds are available through our agreement with Dakota County and our FY22 CWF Drinking Water Protection Phase 2 grant.

22.192 Motion by Johnson, second by Chamberlain to execute three contracts with Peine Farms (22-IPP-33, 22-IPP-35 and 22-IPP-36) not to exceed \$10,500, \$8,400 and \$8,400 for establishing cover crops (3-year) . Members voting in favor: Zanmiller, Skog, Johnson, Dee, and Chamberlain. Motion carried.

- 15.** Authorize execution of a contract with Randy Peine not to exceed \$5,355 for the establishment of cover crops in Ravenna Township in the Vermillion River Watershed. Discussion occurred regarding differences in corn earlage compared to corn silage. Project funds are available through our FY22 CWF Drinking Water Protection Grant and our agreements with Dakota County and the Vermillion River Watershed Joint Powers Organization.

22.193 Motion by Dee, second by Johnson to execute contract with Randy Peine (22-IPP-42) not to exceed \$5,335 for establishing cover crops (3-year). Members voting in favor: Skog, Johnson, Dee, Chamberlain and Zanmiller. Motion carried.

- 16.** Authorization to provide final payment of \$4,371.72 to Thomas Bergum for installation of streambank stabilization along North Creek in Lakeville, Vermillion River Watershed. Funds to install the project are available through our agreement with the Vermillion River Watershed Joint Powers Organization. Discussion occurred regarding the labor rate and permitting requirements of the DNR.

22.194 Motion by Dee, second by Johnson to provide final payment of \$4,371.22 under contact 22-CCS-01 for installation of streambank stabilization. Members voting in favor: Johnson, Dee, Chamberlain, Zanmiller and Skog. Motion carried.

- 17.** Authorization to execute contract with Alan Storlie not to exceed \$28,730 for installation of water and sediment control basins in Eureka Township, Vermillion River Watershed.

22.195 Motion by Johnson, second by Dee to execute contract with Alan Storlie (22-IPP-28) not to exceed \$28,730 for installation of two water and sediment control basins. Members voting in favor: Dee, Chamberlain, Zanmiller, Skog and Johnson. Motion carried.

- 18.** Authorization to execute contract with Randy Peine not to exceed \$21,505 for the installation of water and sediment control basins in Douglas Township, Cannon River Watershed.

22.196 Motion by Dee, second by Johnson to execute contract with Randy Peine (22-IPP-41) not to exceed \$25,300 for installation of two water and sediment control basins. Members voting in favor: Chamberlain, Zanmiller, Skog, Johnson, and Dee. Motion carried.

- 19.** Authorization to execute contract with City of Rosemount not to exceed \$50,000 for the installation of a bioretention Basin at Jaycee Park, Vermillion River Watershed.

22.197 Motion by Chamberlain, second by Johnson to execute contract with the City of Rosemount (22-CCP-01) not to exceed \$50,000 for installation of a bioretention basin. Members voting in favor: Zanmiller, Skog, Johnson, Dee and Chamberlain. Motion carried.

20. Authorization to adopt 2023 fee schedule. A fee schedule for calendar year 2023 was presented. .

22.198 Motion by Chamberlain, second by Johnson to adopt 2023 fee schedule. All members voting in favor. Motion carried.

21. Announcements and Reports

Natural Resources Conservation Service

Matt Lundberg provided the NRCS report and stated there are 5 more Environmental Quality Incentive Program (EQIP) applications were approved in Dakota and Washington Counties for practices including cover crop, irrigation water management/sprinkler conversion, and high tunnels. They are finishing Conservation Reserve Program (CRP) contracts and status reviews for expiring 2023/2024 CRP acres. One Regional Conservation Partnership Program (RCPP) irrigation contract was obligated in August. Matt also reported Gabe Brown & Tom Cotter will be speaking in Austin next Friday about regenerative agriculture.

Dakota County

Georg Fischer provided an update on the County budget and a staffing changes. He noted the SWCD accomplishments with sediment and phosphorous reductions that will result from just the contracts approved today and the importance as well as appreciation for the work the SWCD provides.

Cannon River Watershed Joint Powers Board

Watson reported that staff recently met and agreed upon a new roles and technical assistance work plan and budget for the next three years. Rice and Dakota SWCDs will continue to provide these services. The joint powers agreement to provide these services will be on the next meeting agenda scheduled for October 6.

Metropolitan Conservation Districts Joint Power Board

Zanmiller reported they met on August 31 and approved the 2023 – 2025 work plan and budget. Scott SWCD will continue to provide administrative and fiscal agent services for the Metropolitan Conservation Districts Joint Powers Board and the Dakota SWCD will continue to provide administrative services for the Engineering and Technical Assistance Program.

Minnesota Association of Soil and Water Conservation Districts

Watson reported that the Minnesota Association of Soil and Water Conservation Districts (MASWCD) annual convention will be Monday through Wednesday, December 12th – 14th this year. Dee stated the resolution committee met and reviewed approximately 12 proposed resolutions for the MASWCD Board to consider. Mark Zabel reported the Nominations committee is still looking for a Vice President and was seeking interest.

District Manager Reports

Watson reported that a representative from Castle Rock bank will be here at 10:30 today to process new bank signature cards. Watson also reported that Lana Rotty's last day working for the SWCD will be tomorrow and he thanked her for 29 years of service. Board members also thanked Lana for her dedication to the SWCD and wished her the best in retirement. Coffee and cake will be shared after the meeting.

Board of Supervisors Announcements

There were no Board of Supervisor announcements.

22. Upcoming Events

The upcoming events were reviewed

23. Adjourn

22.199 Motion by Dee, second by Chamberlain to adjourn the meeting. All members voting in favor. Motion carried.

The meeting was adjourned at 10:08 a.m.

Respectfully submitted,

Chelsea Skog
Secretary

**Dakota County SWCD
Income and Expense Summary
September 2022**

	Current Month	Year to Date
Income		
County Revenues	\$27,608.50	\$426,486.25
State Revenues	\$2,225.56	\$249,524.36
Local Revenues	\$377.00	\$168,902.30
Interest Earnings	\$16.82	\$2,946.45
Charges for Services	\$4,325.00	\$18,850.00
Tree Program Revenues	\$0.00	\$22,287.57
Total Income	\$34,552.88	\$888,996.93
Expense		
County Expenses	\$1,161.90	\$61,628.58
State Expenses	\$0.00	\$92,780.95
Local Expenses	\$6,748.72	\$37,240.31
Operating Expenses	\$653.78	\$31,850.71
Payroll/Personnel Expenses	\$148,246.26	\$903,257.13
Project Expenses	\$3,017.25	\$4,244.08
Tree Program Expenses	\$0.00	\$15,958.84
Total Expense	\$159,827.91	\$1,146,960.60
Net Income	<u>-\$125,275.03</u>	<u>-\$257,963.67</u>

**Dakota County SWCD
Balance Sheet
September 2022**

ASSETS:

Cash in Checking - Castle Rock	\$19,783.97
Cash in Savings - Castle Rock	\$436,307.16
Cash in Checking - Vermillion Bank	\$30,554.61
Certificate of Deposits	\$400,472.05
Petty Cash	\$100.00
Total Cash:	\$887,217.79

Accounts Receivable:

BWSR	2021 WBIF Vermillion 40% Request	\$1,685.65
BWSR	2021 WBIF MN River S 40% Request	\$9,041.63
BWSR	2020 DC DW 10% Request (2020)	\$6,040.72
BWSR	2020 DC DW 10% Request (2021)	\$393.68
BWSR	2020 DC DW 10% Request (2022)	\$755.50
BWSR	2018 CWF TB 10% Request (2022)	\$9,967.35
DC Parks, Facilities, Fleet	Q2 Invoice for Services	\$2,917.17
DC Transportation	Q2 Invoice for Services	\$935.00
North Cannon River WMO	Q2 Invoice for Services	\$6,713.22
North Cannon River WMO WBF	Q2 Invoice for Services	\$357.00
Total Accounts Receivable:		\$38,806.92

TOTAL ASSETS:

\$926,024.71

LIABILITIES AND EQUITY:

Sales Tax Payable	\$1,597.19
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Unearned Revenue:

Buffer Law Funds 2020	\$1,677.28
Buffer Law Funds 2021	\$17,200.00
Buffer Law Funds 2022	\$17,000.00
Conservation Delivery 2022	\$21,240.00
Conservation Delivery 2023	\$21,240.00
Local Capacity Services 2021	\$401.93
Local Capacity Services 2022	\$90,354.37
DC Drinking Water PP 2022	\$74,952.50
Met Council WOMP Funds	-\$2,042.71
State Cost Share 2021	\$9,005.48
State Cost Share 2022	\$22,054.00
State Cost Share 2023	\$22,054.00
2019 WBF Metro	\$40,241.73
WBIF 2019 Dakota SWCD	\$39,821.16
WBIF 2021 Cannon River	\$0.00
WBIF 2021 Miss River East	\$16,188.00
WBIF 2021 MN River South	\$0.00
WBIF 2021 Vermillion River	\$0.00
DC Natural Resources Block Grant	\$18,890.50
DC Operating Allocation	\$82,825.50
Subtotal Unearned Revenue	\$493,103.74

Total Liabilities:

\$494,700.93

Fund Balance Beginning of Year	\$689,287.45
YTD Net Income/loss	-\$257,963.67
Fund Balance End of Current Period	\$431,323.78

TOTAL LIABILITIES AND EQUITY:

\$926,024.71

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT

Regular Agenda

Request for Board Action

Roll Call Vote

Meeting Date: 10/13/2022

Prepared by: Curt Coudron

PURPOSE/ACTION REQUESTED:

Authorize execution of a contract with James Perry not to exceed \$17,510 for the installation of a water and sediment control basin.

SUMMARY:

James (Jim) Perry is proposing to construct a water and sediment control basin in Castle Rock Township in the Vermillion River Watershed. Surface water runoff is causing gullies to form in the field. The basin will be constructed to capture runoff and slowly release it through an underground pipe to a stable outlet.

Total cost of the project is estimated at \$20,600. Staff is recommending approval at 85% cost share not to exceed \$17,510.

EXPLANATION OF FISCAL/FTE IMPACT:

Project funds are available through our FY22 State Cost Share Grant and our agreement with Dakota County.

Supporting Documents:

22-IPP-31 Perry, Jim WASC B Factsheet

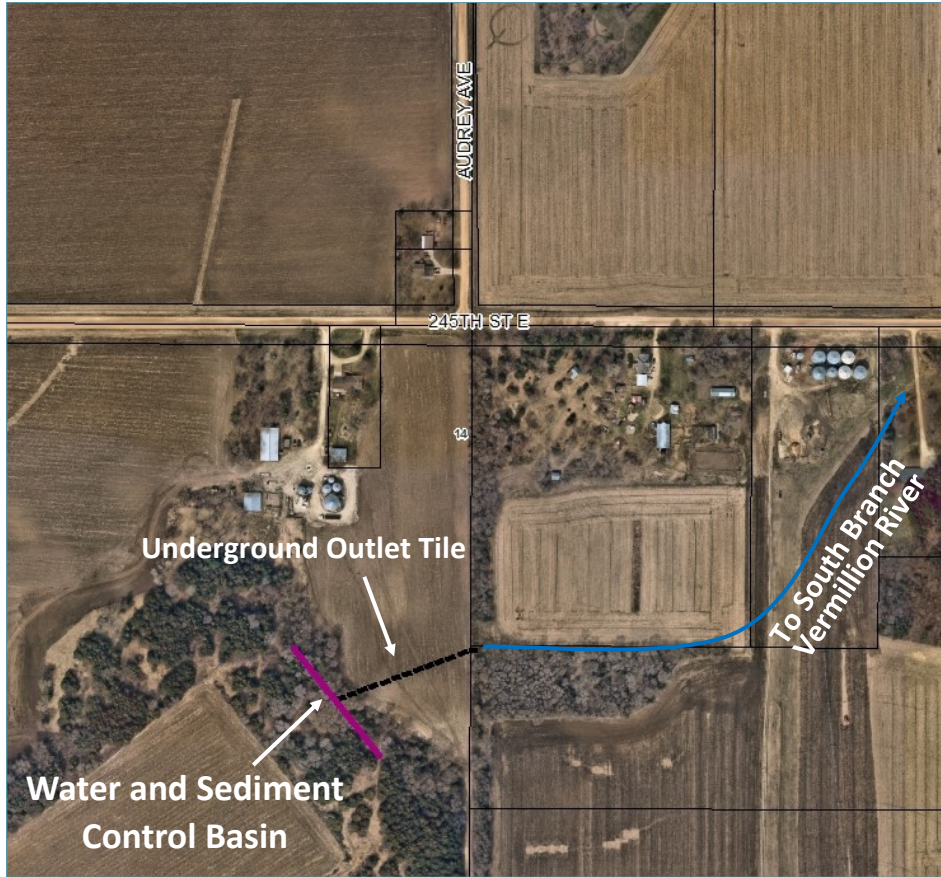
Previous Board Action:

None



JAMES PERRY

WATER & SEDIMENT CONTROL BASIN



PRACTICE:

- Water and Sediment Control Basin

BENEFITS:

- 9 tons of sediment per year prevented from traveling downstream
- 9 lbs. of phosphorous per year prevented from traveling downstream

PARTNERS:

- Dakota County
- Minnesota Board of Water and Soil Resources

WATERSHED:

- Vermillion River

RECEIVING WATERS:

- South Branch Vermillion River

INSTALLATION:

- Fall 2022

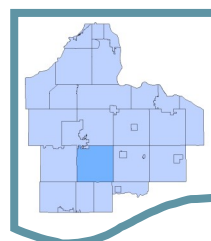
PROJECT: Surface water runoff is causing gullies to form in the field. A water and sediment control basin will be constructed to capture runoff, release runoff through an underground tile that discharges to a stabilized outlet, and reduce future erosion.

FUNDING:	Estimated Project Cost:	\$20,600
	Cost Share Amount:	\$17,500
	Landowner Amount	\$3,100



LOCATION:

Castle Rock
Township



DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT

Regular Agenda

Request for Board Action

Voice Vote

Meeting Date: 10/13/2022

Prepared by: Brian Watson

PURPOSE/ACTION REQUESTED:

Authorize execution of FY23 grant agreement with the Minnesota Board of Water and Soil Resources (BWSR) for Buffer Law Implementation and Local Capacity Services.

SUMMARY:

Legislation passed during the last biennium provides Clean Water Funds to soil and water conservation districts for implementing the State Buffer Law Program and supporting implementation of our various duties and responsibilities under Minnesota Statute 103C. Based on BWSR adopted policy, we are eligible for FY23 grant funds in the amount of \$17,000 for the Buffer Law Program and \$143,745 for the Local Capacity Services Program.

These two BWSR programs have been combined into one grant agreement. Proposed work plans under each of these FY23 grant programs include:

FY 23 Buffer Implementation (\$17,000)

- Administration \$ 1,000
- Compliance reviews and mapping \$ 7,000
- Buffer installation \$ 2,000
- Landowner assistance and information \$ 7,000

FY23 Local Capacity Services (\$143,745)

- Administration \$ 2,745
- Advance staff credentials (JAA) \$ 7,000
- Compliance inspections \$14,000
- Program development and outreach \$100,000
- Technical assistance \$20,000

There is no local match requirement as part of this BWSR grant agreement. The grant term would be from the time of execution to December 31, 2025.

EXPLANATION OF FISCAL/FTE IMPACT:

Program tasks and funding will be included into the 2023 and 2024 staff work plans.

Supporting Documents:

None

Previous Board Action:

N/A

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT**Regular Agenda**

Request for Board Action

Voice Vote

Meeting Date: 10/13/2022

Prepared by: Brian Watson

PURPOSE/ACTION REQUESTED:

Authorize execution of FY23 grant agreement with the Minnesota Board of Water and Soil Resources for Soil Health Cost Share.

SUMMARY:

The Soil Health Cost Share Grant combines FY22 and FY23 General Funds for soil health practice adoption purposes consistent the provisions of Minnesota Statute 103C.501. This is a non-competitive grant in the amount of \$14,175 and is available to each SWCD. Soil Health Cost Share Grants provide SWCDs with funds for the implementation of core soil health practices and associated technical and administrative responsibilities.

Adequate funding is currently available through other grants and agreements that provide cost-share on soil health practices implemented. Due to the limited amount of funds available under this grant agreement, staff recommends using the funds to further develop projects that would lead to the installation of soil health practices rather than providing direct cost share to landowners. Possible examples of project development activities would include developing and holding a soil health event, landowner outreach and generating information on practices that are available to sustain healthy soils.

The proposed workplan would include:

FY23 Soil Health Cost Share (\$14,175)

- | | |
|-----------------------|----------|
| • Administration | \$ 675 |
| • Project development | \$13,500 |

There is no local match requirement as part of this BWSR grant agreement. The grant term would be from the time of execution to December 31, 2024.

EXPLANATION OF FISCAL/FTE IMPACT:

Grant tasks and funding would be included into the 2023 or 2024 staff work plans.

Supporting Documents:

None

Previous Board Action:

N/A

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT

Regular Agenda

Request for Board Action

Roll Call Vote

Meeting Date: 10/13/2022

Prepared by: Brian Watson

PURPOSE/ACTION REQUESTED:

Approval of 2021 financial audit report.

SUMMARY:

At the February 2022 Board Meeting, the Board of Supervisors approved entering into an engagement letter with Peterson Company, Ltd. to perform the financial audit for calendar year ending December 31, 2021. The audit was full scope in nature, resulted in audited financial statements, provided auditor's opinion on the financial statements, and reported on internal control and compliance.

Upon approval of the financial audit report, Peterson Company will forward to the Office of the State Auditor for their review and approval.

EXPLANATION OF FISCAL/FTE IMPACT:

The cost to complete the financial audit for fiscal year ending December 31, 2021 has been included in our annual budget.

Supporting Documents:

2021 Financial Audit Report.

Previous Board Action:

Motion 22.114 on 02/10/2022
Authorization to Perform Audit

**DAKOTA COUNTY SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

DRAFT

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
FARMINGTON, MINNESOTA
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DECEMBER 31, 2021**

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**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
FARMINGTON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2021**

<u>TITLE</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
Chair	Laura Zanmiller	12/31/2022
Vice Chair	Kevin Chamberlain	12/31/2022
Treasurer	Jayne Hager Dee	12/31/2022
Secretary	Chelsea Skog	12/31/2022
Member	Bruce Johnson	12/31/2022

DRAFT

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Dakota County Soil and Water Conservation District
Farmington, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the General Fund of Dakota County Soil and Water Conservation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the General Fund of Dakota County Soil and Water Conservation District, as of December 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dakota County Soil and Water Conservation District 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dakota County Soil and Water Conservation District's ability to continue as a going concern for one year after the date that the financial statements are 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 from 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Dakota County Soil and Water Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dakota County Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Although not a part of the basic financial statements, such missing information, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 20 and defined benefit pension plan schedules on page 21 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 historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dakota County Soil and Water Conservation District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2022, on our consideration of Dakota County Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dakota County Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

July 22, 2022

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
FARMINGTON, MINNESOTA
GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash and Cash Equivalents	\$ 672,670	\$ -	\$ 672,670
Accounts Receivables	188,602	-	188,602
Due from Other Governments	260,136	-	260,136
Prepaid Expenses	7,545	-	7,545
Capital Assets:			
Equipment, net of accumulated depreciation	-	437	437
Total Assets	<u>1,128,953</u>	<u>437</u>	<u>1,129,390</u>
DEFERRED OUTFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	443,319	443,319
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,128,953</u>	<u>\$ 443,756</u>	<u>\$ 1,572,709</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 7,854	\$ -	\$ 7,854
Due to Other Governments	2,922	-	2,922
Accrued Wages	21,530	-	21,530
Deposits on Sales	8,622	-	8,622
Sales Tax Payable	77	-	77
Unearned Revenue	398,660	-	398,660
Long-term Liabilities:			
Net Pension Liability	-	550,888	550,888
Compensated Absences	-	118,827	118,827
Total Liabilities	<u>439,665</u>	<u>669,715</u>	<u>1,109,380</u>
DEFERRED INFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	527,895	527,895
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 439,665</u>	<u>\$ 1,197,610</u>	<u>\$ 1,637,275</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Nonspendable - Prepaid Expenses	\$ 7,545	\$ (7,545)	\$ -
Assigned - Compensated Absences	118,827	(118,827)	-
Unassigned	562,916	(562,916)	-
Total Fund Balance	<u>\$ 689,288</u>	<u>\$ (689,288)</u>	<u>\$ -</u>
Net Position:			
Investments in Capital Assets		\$ 437	\$ 437
Unrestricted		(65,003)	(65,003)
Total Net Position		<u>\$ (64,566)</u>	<u>\$ (64,566)</u>

See accompanying Notes to the Financial Statements.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
 FARMINGTON, MINNESOTA
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2021**

	General Fund	Adjustments	Governmental Activities
REVENUES			
Intergovernmental	\$ 1,731,477	\$ -	\$ 1,731,477
Charges for Services	13,734	-	13,734
Interest Earnings	6,237	-	6,237
Total Revenues	<u>1,751,448</u>	<u>-</u>	<u>1,751,448</u>
EXPENDITURES/EXPENSES			
Conservation:			
Current	1,744,499	11,623	1,756,122
Total Expenditures/Expenses	<u>1,744,499</u>	<u>11,623</u>	<u>1,756,122</u>
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	6,949	(11,623)	(4,674)
Fund Balance/Net Position - Beginning of Year	<u>682,339</u>	<u>(742,231)</u>	<u>(59,892)</u>
FUND BALANCE/NET POSITION - END OF YEAR	<u>\$ 689,288</u>	<u>\$ (753,854)</u>	<u>\$ (64,566)</u>

See accompanying Notes to the Financial Statements.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dakota County Soil and Water Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The significant accounting policies used by the District are discussed below.

Financial Reporting Entity

The Dakota County Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors, nominated by, and elected to two-year or four-year terms by the voters of Dakota 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.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no organizations that should be presented with the District.

Basic Financial Statements

Basic financial statements include information on the District's activities as a whole and information on the individual fund of the District. These separate presentations are reported in different columns. Each of the statements starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the District as a whole.

Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District's net position is reported as restricted and unrestricted. The statement of activities demonstrates the degree to which the expenses of the district are offset by revenues.

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The District considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources, when applicable.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash is stated at fair value, except for non-negotiable Certificates of Deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Accounts Receivables and Due from Other Governments

Receivables are collectible within one year. The financial statements contain no allowance for uncollectible accounts. Uncollectible accounts due for receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

Due from other governments are recorded for state, county, and local grant amounts that were received after year-end and all eligibility requirements have been met.

Prepaid Expenses

Prepaid expenses are for items that will provide future benefit over the next twelve months.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life of the related assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 5 to 10 years and Office Equipment and Furniture is 5 to 10 years. The District uses the threshold of \$2,500 for capitalizing assets purchased.

Unearned Revenue

Unearned revenue is recorded for amounts of state, county, and local grants received prior to satisfying all eligibility requirements imposed by the providers.

Compensated Absences

Under the District's personnel policies, employees are granted flex leave in varying amounts based on their length of service. Only benefits considered to be vested are disclosed in these statements.

All vested flex leave pay is accrued when incurred in the government-wide financial statements. A liability for the amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements, and are payable with expendable available resources.

Payments for flex leave pay will be made at rates in effect when the benefits are used. Accumulated flex leave liabilities at December 31, 2021 are determined on the basis of current salary rates and include salary related payments.

Pensions

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

Deferred Outflows of Resources

The financial statements for the District contain deferred outflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one type of deferred outflow which is pension related.

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Deferred Inflows of Resources

The financial statements for the District contain deferred inflows of resources. A deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow which is pension related.

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the government imposes upon itself by a high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or government body delegated to exercise such authority in accordance with the policy established by the Board. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then the unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance amounts.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide statement of net position. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position is the residual classification for the Governmental Activities Fund and includes all spendable amounts not contained in the other classifications.

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Explanation of Adjustments Column in Statements

Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date and reconciles to the amount reported in Note 3 on Capital Assets.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absences and Net Pension Liability the District has as of the report date. See Note 5 on Long-Term Liabilities.

Depreciation, Net Pension Expense and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the net pension expense and the change in compensated absences between the reporting year and the previous year.

NOTE 2 – DEPOSITS

Minnesota Statutes §§118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in Certificates of Deposit.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit 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 and follows Minnesota Statutes for deposits.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – DEPOSITS (CONTINUED)

Custodial Credit Risk - Deposits (Continued)

Minnesota Statute §118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of U.S. government agency; general obligations of a state or local government rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require 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.

As of December 31, 2021, the District’s deposits were not exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

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

	Beginning	Addition	Deletion	Ending
Equipment	\$ 396,677	\$ -	\$ -	\$ 396,677
Less: Accumulated Depreciation	388,947	7,293	-	396,240
Net Capital Assets	<u>\$ 7,730</u>			<u>\$ 437</u>

Current year depreciation is \$7,293.

NOTE 4 – UNEARNED REVENUE

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) and from the County for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2021, consisted of the following: BWSR Cost Share Program \$35,163; Conservation Delivery \$24,603; Buffer Law Implementation \$23,146; Local Capacity \$29,949; County Wetland Funds \$52,804; WOMP \$5,776; Water Based Funding \$227,219; Total \$398,660.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended December 31, 2021:

	January 1, 2021	Increases	Decreases	December 31, 2021
Net Pension Liability	\$ 689,478	\$ -	\$ 138,590	\$ 550,888
Compensated Absences	110,450	8,377	-	118,827
Total	<u>\$ 799,928</u>	<u>\$ 8,377</u>	<u>\$ 138,590</u>	<u>\$ 669,715</u>

Flex Leave

Flex leave accrual varies from 160 to 304 hours per year. The limit on the accumulation of flex leave is 480 hours. Upon termination of employment from the District, employees are paid accrued flex leave hours.

Compensated Absences Payable

The amount of the estimated obligation at December 31, 2021 was \$118,827. The District's General Fund finances compensated absences when employees terminate their employment from the District.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors, and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities are insured through Dakota County. Workers' compensation is insured through State Farm Mutual (SFM) Insurance Company.

The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions of insurance coverage from the previous year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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.

DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the 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 adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2021, were \$70,158. The District's contributions were equal to the required contributions as set by state statute.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs

At December 31, 2021, the District reported a liability of \$550,888 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 \$16,831.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0129 percent at the end of the measurement period and .0115 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 550,888
State of Minnesota's proportionate share of the net pension liability associated with the District	16,831
Total	<u>\$ 567,719</u>

For the year ended December 31, 2021, the District recognized a pension credit of \$4,047 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$1,358 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,029	\$ 16,647
Changes in actuarial assumptions	336,361	10,863
Net collective difference between projected and actual investment earnings	-	500,385
Changes in Proportion	69,614	-
Contributions paid to PERA subsequent to the measurement date	34,315	-
Total	<u>\$ 443,319</u>	<u>\$ 527,895</u>

The \$34,315 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (77)
2023	5,926
2024	9,708
2025	(134,448)

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of 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 Equity	33.5	5.10
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00	

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 6.50 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 6.50 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.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
District's proportionate share of the GERS net pension liability:	\$ 1,123,530	\$ 550,888	\$ 81,000

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – OPERATING LEASES

The District leases office space on a yearly basis. Dakota County Facilities Management stated that for 2021, the cost of space provided was valued at \$46,468.

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through July 22, 2022, the date the financial statements were available to be issued.

NOTE 11 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	\$	682,339
Plus: Excess of Revenues Over Expenditures		6,949
Governmental Fund Balance, December 31	\$	<u>689,288</u>
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	\$	437
Plus: Deferred Outflows of Resources		443,319
Less: Long-Term Liabilities		(669,715)
Less: Deferred Inflows of Resources		(527,895)
Net Position	\$	<u>(64,566)</u>

NOTE 12 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	\$	6,949
Pension Credit, net		4,047
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(7,293)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		(8,377)
Change in Net Position	\$	<u>(4,674)</u>

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
FARMINGTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	\$ 724,106	\$ 665,667	\$ (58,439)
Local	412,750	545,713	132,963
State Grants	539,530	520,097	(19,433)
Total Intergovernmental	<u>1,676,386</u>	<u>1,731,477</u>	<u>55,091</u>
Charges for Services	9,050	13,734	4,684
Interest Earnings	4,000	6,237	2,237
Total Revenues	<u>1,689,436</u>	<u>1,751,448</u>	<u>62,012</u>
EXPENDITURES			
District Operations:			
Personnel Services	1,266,483	1,275,050	(8,567)
Other Services and Charges	36,100	27,874	8,226
Supplies	8,500	4,546	3,954
Capital Outlay	10,000	-	10,000
Total District Operations	<u>1,321,083</u>	<u>1,307,470</u>	<u>13,613</u>
Project Expenditures:			
District	15,500	2,527	12,973
County	112,500	74,481	38,019
Local	29,750	125,938	(96,188)
State	210,603	234,083	(23,480)
Total Project Expenditures	<u>368,353</u>	<u>437,029</u>	<u>(68,676)</u>
Total Expenditures	<u>1,689,436</u>	<u>1,744,499</u>	<u>(55,063)</u>
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	-	6,949	6,949
Fund Balance - Beginning of Year	<u>682,339</u>	<u>682,339</u>	-
FUND BALANCE - END OF YEAR	<u><u>\$ 682,339</u></u>	<u><u>\$ 689,288</u></u>	<u><u>\$ 6,949</u></u>

See accompanying Notes to the Required Supplementary Information.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
FARMINGTON, MINNESOTA**

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2021**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 45,893	\$ 45,893	\$ -	\$ 611,907	7.50%
2016	\$ 49,325	\$ 49,325	\$ -	\$ 657,669	7.50%
2017	\$ 53,419	\$ 53,419	\$ -	\$ 712,251	7.50%
2018	\$ 58,241	\$ 58,241	\$ -	\$ 776,549	7.50%
2019	\$ 62,347	\$ 62,347	\$ -	\$ 831,299	7.50%
2020	\$ 69,025	\$ 69,025	\$ -	\$ 920,338	7.50%
2021	\$ 70,158	\$ 70,158	\$ -	\$ 935,445	7.50%

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

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2021**

Fiscal Year Ending	Employer's Proportion of Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0103%	\$ 553,799	\$ -	\$ 553,799	\$ 618,937	89.48%	78.19%
2016	0.0105%	\$ 852,548	\$ 11,096	\$ 863,644	\$ 651,843	132.49%	68.90%
2017	0.0105%	\$ 670,313	\$ 8,437	\$ 678,750	\$ 677,073	100.25%	75.90%
2018	0.0109%	\$ 604,687	\$ 19,910	\$ 624,597	\$ 735,404	84.93%	79.50%
2019	0.0115%	\$ 635,809	\$ 19,666	\$ 655,475	\$ 810,405	80.88%	80.20%
2020	0.0115%	\$ 689,478	\$ 21,163	\$ 710,641	\$ 819,588	86.71%	79.10%
2021	0.0129%	\$ 550,888	\$ 16,831	\$ 567,719	\$ 927,410	61.22%	87.00%

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

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEE RETIREMENT FUND
DECEMBER 31, 2021**

NOTE 1 – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS

2021 -

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

2020 -

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 year 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 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEE RETIREMENT FUND (CONTINUED)
DECEMBER 31, 2021**

**NOTE 1 – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ACTUARIAL ASSUMPTIONS
(CONTINUED)**

2021 - There were no changes in plan provisions since the previous valuation.

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

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

2017 - 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.

2015 - 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the Board of Supervisors adopts an annual budget for the following year for the General Fund. Any modifications in the adopted budget can be made upon request of and approval by the Board of Supervisors. All annual appropriations lapse at fiscal year-end. Legal budgetary control is at the fund level.

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$1,744,499; Budget \$1,689,436; Excess \$55,063.

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

To the Board of Supervisors
Dakota County Soil and Water Conservation District
Farmington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Dakota County Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Dakota County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated July 22, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Dakota County Soil and Water Conservation District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, 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 Minnesota Statutes §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 Dakota County Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

July 22, 2022

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

To the Board of Supervisors
Dakota County Soil and Water Conservation District
Farmington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Dakota County Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Dakota County Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated July 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dakota County Soil and Water Conservation District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dakota County Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dakota County Soil and Water Conservation District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as items 2021-001 and 2021-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Dakota County Soil and Water Conservation District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control findings identified in our audit and described in the accompany Schedule of Findings and Responses. The Dakota County Soil and Water Conservation District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

July 22, 2022

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2021**

2021-001: Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition and Context: Substantially all accounting procedures are performed by one person.

Prior Year Finding: Yes, 2020-001.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

Management Response: The District has adequate policies and procedures in place to compensate for the lack of segregation of duties, including having all disbursements approved by the District Manager and Board of Supervisors

**DAKOTA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2021**

2021-002: Financial Statement Presentation

Criteria: The District's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with generally accepted accounting principles.

Condition and Context: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. Management has accepted responsibility for the financial statements and reviewed them.

Cause: The District has a limited number of personnel with financial reporting experience.

Effect: The design of the controls over the financial reporting process would affect the ability of the District to report its financial data consistently with the assertions of the management in the financial statements.

Recommendation: We recommend that the District be aware of the requirements for fair presentation of the financial statements in accordance with the generally accepted accounting principles. Should the District elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation of an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us; complete the disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Management Response: The District understands that this is required communications for the preparation of the financial statements.