

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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GOODHUE, MINNESOTA
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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

INTRODUCTORY SECTION

JUNE 30, 2023

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2023**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors		
Chair	Paul Uecker	June 30, 2024
Vice Chair	Bill Rowenkamp	June 30, 2024
Treasurer	Chris Hinck	June 30, 2024
Appointed		
District Manager	Beau Kennedy	Indefinite

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

FINANCIAL SECTION

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Southeast SWCD Technical Support JPB
Goodhue, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southeast SWCD Technical Support JPB (the JPB) as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the JPB's basic financial statements as listed in the table of contents.

Unmodified Opinions on the Governmental Activities and Major Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of June 30, 2023, and the respective changes in financial position and 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Southeast SWCD Technical Support JPB 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 opinions.

Responsibility of Management for the Financial Statements

Southeast SWCD Technical Support JPB's 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 Southeast SWCD Technical Support JPB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Southeast SWCD Technical Support JPB'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 Southeast SWCD Technical Support JPB'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents 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 Matters (Continued)

Required Supplementary Information (Continued)

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. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Smith, Schaff and Associates, Ltd.

Red Wing, Minnesota
January 9, 2024

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
GENERAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2023

	General Fund	Reconciliation	Governmental Activities
Assets			
Cash and cash equivalents	\$ 877,318	\$	\$ 877,318
Due from other governmental units	82,985		82,985
Prepaid items	6,451		6,451
Capital assets			
Equipment (net of accumulated depreciation)		47,545	47,545
Right to use asset (net of accumulated amortization)		21,185	21,185
Total Assets	966,754	68,730	1,035,484
Deferred Outflows of Resources			
Deferred pension outflows		102,407	102,407
Liabilities			
Accounts payable	37,759		37,759
Salaries and wages payable	656		656
Unearned revenue	593,672		593,672
Lease payable - due within one year		8,449	8,449
Noncurrent liabilities:			
Net pension liability		419,762	419,762
Lease payable		14,710	14,710
Compensated absences		44,836	44,836
Total Liabilities	632,087	487,757	1,119,844
Deferred Inflows of Resources			
Deferred pension inflows		4,554	4,554
Fund Balance / Net Position			
Fund Balance			
Nonspendable	6,451	(6,451)	
Unassigned	328,216	(328,216)	
Total Fund Balance	334,667	(334,667)	
Net Position			
Net investment in capital assets		45,571	45,571
Unrestricted		(32,078)	(32,078)
Total Net Position		13,493	13,493
Total Fund Balance / Net Position	\$ 334,667	\$ (321,174)	\$ 13,493

See Notes to Financial Statements

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCE
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2023**

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (page 4)		\$ 334,667
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	337,527	
Less: Accumulated depreciation and amortization	268,797	
		68,730
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability, deferred outflows and inflows from pension activity	(321,909)	
Compensated absences	(44,836)	
Lease payable	(23,159)	
		(389,904)
Net position of governmental activities (page 4)		\$ 13,493

SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2023

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental revenue	\$ 777,341	\$	\$ 777,341
Investment earnings	11,408		11,408
Miscellaneous	1,525		1,525
Total Revenues	790,274		790,274
Expenditures/Expenses			
Conservation:			
Current	619,759	94,087	713,846
Capital outlay	58,931	(58,931)	
Total Expenditures/Expenses	678,690	35,156	713,846
Net Change in Fund Balance / Net Position	111,584	(35,156)	76,428
FUND BALANCE / NET POSITION - BEGINNING	223,083	(286,018)	(62,935)
FUND BALANCE / NET POSITION - ENDING	\$ 334,667	\$ (321,174)	\$ 13,493

See Notes to Financial Statements

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 6)	\$	111,584
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Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	58,931	
Depreciation expense	(19,329)	
Amortization expense	<u>(10,131)</u>	
		29,471

In the statement of activities, certain operating expenses - net pension liability, deferred outflows and inflows from pension activity, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Net pension liability, deferred outflows and inflows from pension activity	(69,289)	
Compensated absences	<u>(5,560)</u>	
		<u>(74,849)</u>

In governmental funds, a lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Principal retirement on lease payable	<u>10,222</u>	
		<u>10,222</u>

Change in net position of governmental activities (page 6)	\$	<u>76,428</u>
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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budgeted Amounts		2023 Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Local	\$ 33,000	\$ 33,000	\$ 33,000	\$
Federal	220,000	220,000	192,073	(27,927)
State	1,095,050	1,095,050	552,268	(542,782)
Total Intergovernmental	<u>1,348,050</u>	<u>1,348,050</u>	<u>777,341</u>	<u>(570,709)</u>
Miscellaneous				
Interest earnings	3,000	3,000	11,408	8,408
Other			1,525	1,525
Total Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>12,933</u>	<u>9,933</u>
TOTAL REVENUES	<u>1,351,050</u>	<u>1,351,050</u>	<u>790,274</u>	<u>(560,776)</u>
EXPENDITURES				
District Operations				
Personnel services	520,728	520,728	504,924	(15,804)
Other services and charges	830,322	830,322	114,334	(715,988)
Supplies			501	501
Capital outlay			58,931	58,931
Total District Operations	<u>1,351,050</u>	<u>1,351,050</u>	<u>678,690</u>	<u>(672,360)</u>
TOTAL EXPENDITURES	<u>1,351,050</u>	<u>1,351,050</u>	<u>678,690</u>	<u>(672,360)</u>
NET CHANGE IN FUND BALANCE			111,584	111,584
FUND BALANCE - BEGINNING	<u>223,083</u>	<u>223,083</u>	<u>223,083</u>	
FUND BALANCE - ENDING	<u>\$ 223,083</u>	<u>\$ 223,083</u>	<u>\$ 334,667</u>	<u>\$ 111,584</u>

See Notes to Financial Statements

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the Southeast SWCD Technical Support JPB (the JPB) are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

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

The purpose of the JPB 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 JPB provides technical and financial assistance to individuals, groups, districts, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

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

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

Government-Wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the JPB.

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

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

The JPB reports the General Fund as its only major governmental fund. The General Fund accounts for all financial resources of the JPB.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the JPB 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 a 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.

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

In accordance with GASB 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.

Budget Information

The JPB adopts an estimated revenues and expenditures 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 JPB does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Receivables

Receivables are collectible within one year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets are reported on a net (depreciated) basis. Capital assets are defined by the JPB as assets with an initial, individual cost of more than \$1,000 and an estimated useful life greater than one year. General capital assets are valued at historical or estimated historical cost.

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for machinery and equipment is five to ten years.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element 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 JPB has one type and is pension related and is reported on the statement 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. Unearned revenue as of June 30, 2023 represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences Benefits

Under the JPB's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 4 to 7 hours per pay period. Sick leave accrual is 4 hours for each pay period. The limit on the accumulation of vacation leave is 200 hours and the limit on the accumulation of sick leave is 960 hours. Upon termination of employment from the JPB, employees who have completed their probationary period are paid accrued vacation leave and 60% of their accrued sick leave up to \$3,500.

The amount reported as compensated absences benefits consists of unpaid, accumulated vacation and sick balances. The liability has been calculated using the vested method, in which leave amounts are accrued for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. The liability is reported in governmental funds only if they have matured and is accrued when incurred in the government-wide statements.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, deferred inflows of resources. This separate financial statement element, deferred inflows 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 JPB recognized one type. The one type is pension related and reported in the statement of net position.

Pensions

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

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net Investment in Capital Assets – the amount of net position representing capital assets net of accumulated depreciation and amortization.

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 net investment in capital assets or restricted.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the JPB is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the JPB intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the Board Administrator who has been delegated that authority by Board resolution.

Unassigned – unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The JPB applies restricted resources first when expenditures are 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 used.

Implementation of New Accounting Principles

During the year, the JPB implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-of-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the JPB to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, 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.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby 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

Custodial credit risk is the risk that in the event of a bank failure, the JPB's deposits may not be returned to it. The JPB does not have a deposit policy for custodial credit risk. As of June 30, 2023, the JPB's deposits were not exposed to custodial credit risk.

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the JPB has the ability to access
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets measured at fair value on a recurring basis noted at the JPB.

3. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ 244,818	\$ 58,931	\$ 6,810	\$ 296,939
Capital assets, being amortized:				
Leased building - right of use	40,588			40,588
Total capital assets being depreciated and amortized:	285,406	58,931	6,810	337,527
Less accumulated depreciation for:				
Equipment	236,875	19,329	6,810	249,394
Less accumulated amortization for:				
Leased building - right of use	9,272	10,131		19,403
Total accumulated depreciation and amortization:	246,147	29,460	6,810	268,797
Governmental activities capital assets, net	\$ 39,259	\$ 39,602	\$	\$ 68,730

Depreciation and amortization for the year ended June 30, 2023 was \$29,460.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2023.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Lease Payable	\$ 33,381	\$	\$ 10,222	\$ 23,159	\$ 8,449
Compensated Absences	39,276	15,379	9,819	44,836	
Governmental Activities Long-Term Liabilities	<u>\$ 72,657</u>	<u>\$ 15,379</u>	<u>\$ 20,041</u>	<u>\$ 67,995</u>	<u>\$ 8,449</u>

Southeast SWCD Technical Support JPB incurs expenses under three operating leases for office space. These leases are cancelable and expire in September 2027. Monthly payments under these lease agreements range from \$144 – \$310. The JPB's lease expenses for the year ended June 30, 2023 were \$10,222.

Principal and interest requirements to maturity for the lease liabilities at June 30, 2023 are as follows:

Years	Leases	
	Principal	Interest
2024	\$ 8,449	\$ 82
2025	6,620	50
2026	3,227	24
2027	3,240	10
2028	1,623	
Total	<u>\$ 23,159</u>	<u>\$ 166</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Risk Management

The JPB is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The JPB retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Defined Benefit Pension Plans – Statewide

Plan Description

The JPB participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

1. General Employees Retirement Plan

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

Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent 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.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023; the JPB was required to contribute 7.50 percent for Coordinated Plan members. The JPB's contributions to the General Employees Fund for the year ended June 30, 2023 were \$29,505. The JPB's contributions were equal to the required contributions as set by the state statute.

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2023, the JPB reported a liability of \$419,762 for its proportionate share of the General Employees Fund's net pension liability. The JPB'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 JPB totaled \$12,181.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The JPB's proportion of the net pension liability was based on the JPB's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The JPB's proportionate share was 0.0030 percent at the end of the measurement period and 0.0032 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$	419,762
State of Minnesota's proportionate share of the net pension liability associated with the District		<u>12,181</u>
Total	\$	<u>431,943</u>

For the year ended June 30, 2023, the JPB recognized pension expense of \$70,261 for its proportionate share of the General Employees Plan's pension expense. In addition, the JPB recognized an additional \$1,821 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the \$16 million contribution to the General Employees Fund.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

At June 30, 2023, the JPB reported its proportionate share of 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>
Difference between expected and actual economic experience	\$ 2,629	\$ 3,346
Changes in actuarial assumptions	71,250	1,208
Difference between projected and actual investment earnings	5,189	
Changes in proportion	7,782	
Contributions paid to PERA subsequent to the measurement date	<u>15,557</u>	
Total	<u>\$ 102,407</u>	<u>\$ 4,554</u>

The \$15,557 reported as deferred outflows of resources related to pensions resulting from JPB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Pension Expense Amount</u>
2024	\$ 31,358
2025	31,376
2026	(10,808)
2027	30,370

Total Pension Expense

Pension expense recognized by the JPB for the year ended June 30, 2023 is as follows:

General Employee Fund	<u>\$ 72,082</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Defined Benefit Pension Plans – Statewide (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 Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (continued)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions Assumptions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2022 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 the rates specified 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 JPB'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 JPB'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:

<u>Net Pension Liability at Different Discount Rates</u>		
	<u>General Employees Fund</u>	
1% Lower	5.50%	\$ 663,036
Current Discount Rate	6.50%	419,762
1% Higher	7.50%	220,240

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.

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

**Schedule of District's Contributions
PERA General Employee Retirement Fund
Last Ten Years**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 16,130	\$ 16,130	\$	\$ 218,865	7.37%
2016	16,762	16,762		227,172	7.38%
2017	17,772	17,772		236,954	7.50%
2018	23,099	23,099		307,987	7.50%
2019	24,744	24,744		329,917	7.50%
2020	25,975	25,975		346,336	7.50%
2021	26,774	26,774		356,987	7.50%
2022	28,634	28,634		381,787	7.50%
2023	29,505	29,505		393,400	7.50%
2024					

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The District's year end is June 30.

**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

**Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Public Employees PERA
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and District's Share of State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0042%	\$ 197,295	\$	\$ 197,295	\$ 218,865	90.14%	78.70%
2016	0.0039%	202,118		202,118	227,172	88.97%	78.19%
2017	0.0038%	308,541	4,082	312,623	236,954	131.93%	68.90%
2018	0.0048%	306,429	3,838	310,267	307,987	100.74%	75.90%
2019	0.0049%	271,832	8,986	280,818	329,917	85.12%	79.50%
2020	0.0049%	270,910	8,333	279,243	346,336	80.63%	80.20%
2021	0.0050%	299,773	9,326	309,099	356,987	86.59%	79.06%
2022	0.0053%	226,334	6,960	233,294	381,787	61.11%	87.00%
2023	0.0053%	419,762	12,181	431,943	393,400	109.80%	76.70%
2024							

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

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**SOUTHEAST SWCD TECHNICAL SUPPORT JPB
GOODHUE, MINNESOTA**

OTHER REPORT SECTION

JUNE 30, 2023

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MINNESOTA LEGAL COMPLIANCE**Independent Auditor's Report**

To the Board of Supervisors
Southeast SWCD Technical Support JPB
Goodhue, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the General Fund of Southeast SWCD Technical Support JPB, Goodhue, Minnesota, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the JPB's basic financial statements and have issued our report thereon dated January 9, 2024.

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

This report is intended solely for the information and use of the District's Board charged with governance and management of Southeast SWCD Technical Support JPB and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schafu and Associates, Ltd.

Red Wing, Minnesota
January 9, 2024