ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
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ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
ORGANIZATION
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TITLE	NAME	TERM EXPIRES
Chair	Glenn Kruse	12/31/2024
Vice-Chair	Ken Anderson	12/31/2024
Treasurer	Joe Driscoll	12/31/2026
Secretary	Matt Feldmeier	12/31/2024
Board Member	Jerry Wielke	12/31/2026

PETERSON COMPANY LTD
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Root River Soil and Water Conservation District
Caledonia, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Root River Soil and Water Conservation District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Root River Soil and Water Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Root River Soil and Water Conservation District, as of December 31, 2024, and the respective 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 Opinions

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* (GAS), 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 Root River 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Root River Soil and Water Conservation District'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 Responsibilities for the Audit of the Financial Statements

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7, the budgetary comparison schedules on pages 23-24, the defined benefit pension plan schedules on page 25, and the notes to the required supplementary information on pages 26-28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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

Management is responsible for the other information. The other information comprises the district's organizational information under the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025, on our consideration of Root River 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 Root River Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 16, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2024

This section of the Root River Soil and Water Conservation District's (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 8. For the General Fund, these statements tell how these services were financed in the short term as well as what remains for future spending. The General Fund statements also report the District's operations in more detail than the government-wide and fund financial statements into single presentations. The District has elected to present in this format.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.

In the district-wide financial statements the District's activities are shown in one category titled Governmental Activities. All of the District's basic services are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's funds, not the District as a whole. The District presents a General Fund and a Special Revenue Fund for Mississippi River-Winona La Crescent One Watershed, One Plan Fund (1W1P), which are governmental funds. All of the District's basic services are reported in the General Fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The Mississippi River-Winona La Crescent One Watershed, One Plan Fund accounts for the resources related to the watershed based implementation funding grants received from the state of Minnesota. The governmental funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's net position from Governmental activities was $974,450 on December 31, 2024. This is an increase of $209,423 from the prior year.

	Governmental Activities	
Assets	**2024**	**2023**
Current and Other Assets	$ 2,037,554	$ 1,740,138
Capital Assets, net of accumulated depreciation	50,315	74,503
Total Assets	2,087,869	1,814,641
Deferred Outflows of Resources	19,742	50,708
	$ 2,107,611	$ 1,865,349
Liabilities		
Current Liabilities	$ 863,689	$ 770,574
Long-Term Liabilities	185,914	273,090
Total Liabilities	1,049,603	1,043,664
Deferred Inflows of Resources	83,558	56,658
	$ 1,133,161	$ 1,100,322
Net Position		
Net Investment in Capital Assets	$ 9,693	$ 18,924
Unrestricted	964,757	746,103
Total Net Position	$ 974,450	$ 765,027

District's Revenue. The District's total revenues were $1,178,734 for the year ended December 31, 2024, compared to $999,454 for the year ended December 31, 2023. This increase of $179,280 is primarily due to an increase in Intergovernmental Revenue.

A condensed version of the Statement of Activities follows:

	Governmental Activities	
Revenues	**2024**	**2023**
Intergovernmental	$ 1,131,244	$ 960,407
Charges for Services	12,033	9,807
Interest Earnings	11,533	2,980
Miscellaneous	23,924	26,260
Total Revenues	$ 1,178,734	$ 999,454
Expenditures		
Conservation	$ 969,311	$ 796,620
Total Expenditures	$ 969,311	$ 796,620
Change in Net Position	$ 209,423	$ 202,834
Net Position - Beginning of Year	$ 765,027	$ 562,193
Net Position - End of Year	$ 974,450	$ 765,027

The cost of all governmental activities was $969,311 for the year ended December 31, 2024, compared to $796,620 for the year ended December 31, 2023. This increase of $172,691 is primarily due to an increase in project expenditures.

FINANCIAL ANALYSIS OF THE GENERAL FUND

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,188,972 an increase of $204,451 from last year's ending fund balance of $984,521.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual revenue was $431,819 more than budgeted due to being awarded additional grants.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2024 the District had $50,315 in capital assets, net of accumulated depreciation. Total depreciation expense for the year was $9,117 and accumulated amortization expense for the year was $15,071.

Long-Term Liabilities

As of December 31, 2024, the District had $59,108 in accrued compensated absences and $101,291 in Net Pension Liability. This compares to $53,528 in 2023 for accrued compensated absences and $178,940 for Net Pension Liability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Root River Soil and Water Conservation District at 805 N. Hwy. 44/76, Suite 1, Caledonia, MN 55921. The phone number is (507) 724-5261 ext. 3.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024

	General Fund	1W1P	Adjustments	Governmental Activities
ASSETS				
Cash and Cash Equivalents	$ 1,311,223	$ 663,614	$ -	$ 1,974,837
Accounts Receivables	5,311	-	-	5,311
Due from Other Governments	53,155	-	-	53,155
Interest Receivable	163	1,505	-	1,668
Prepaid Expenses	2,583	-	-	2,583
Capital Assets:				
Property and Equipment, net	-	-	50,315	50,315
Total Assets	1,372,435	665,119	50,315	2,087,869
DEFERRED OUTFLOWS OF RESOURCES				
Defined Benefit Pension Plan	-	-	19,742	19,742
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,372,435	$ 665,119	$ 70,057	$ 2,107,611
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 11,463	$ -	$ -	$ 11,463
Due to Other Governments	2,440	17,497	-	19,937
Deposits on Sales	4,246	-	-	4,246
Accrued Wages	11,038	-	-	11,038
Unearned Revenue	163,313	638,585	-	801,898
Lease Liability	-	-	15,107	15,107
Total Current Liabilities	192,500	656,082	15,107	863,689
Long-term Liabilities:				
Lease Liability	-	-	25,515	25,515
Net Pension Liability	-	-	101,291	101,291
Compensated Absences	-	-	59,108	59,108
Total Long-Term Liabilities	-	-	185,914	185,914
DEFERRED INFLOWS OF RESOURCES				
Defined Benefit Pension Plan	-	-	83,558	83,558
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 192,500	$ 656,082	$ 284,579	$ 1,133,161
FUND BALANCE/NET POSITION				
Fund Balance:				
Non-spendable - Prepaid Expenses	$ 2,583	$ -	$ (2,583)	$ -
Assigned - Compensated Absences	44,059	-	(44,059)	-
Assigned - Capital Equipment	56,760	-	(56,760)	-
Assigned - Winnebago Watershed	17,775	-	(17,775)	-
Assigned - Bear Creek Watershed	11,334	-	(11,334)	-
Unassigned	1,047,424	9,037	(1,056,461)	-
Total Fund Balance	$ 1,179,935	$ 9,037	$ (1,188,972)	$ -
Net Position:				
Investments in Capital Assets, net			$ 9,693	$ 9,693
Unrestricted			964,757	964,757
Total Net Position			$ 974,450	$ 974,450

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	General Fund	1W1P	Adjustments	Governmental Activities
REVENUES				
Intergovernmental	$ 1,002,125	$ 124,459	$ 4,660	$ 1,131,244
Charges for Services	12,033	-	-	12,033
Interest Earnings	2,817	8,716	-	11,533
Miscellaneous	23,924	-	-	23,924
Total Revenues	1,040,899	133,175	4,660	1,178,734
EXPENDITURES/EXPENSES				
Conservation:				
Current	845,164	124,459	(312)	969,311
Total Expenditures/Expenses	845,164	124,459	(312)	969,311
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	195,735	8,716	4,972	209,423
Fund Balance/Net Position - Beginning of Year	984,200	321	(219,494)	765,027
FUND BALANCE/NET POSITION - END OF YEAR	$ 1,179,935	$ 9,037	$ (214,522)	$ 974,450

See accompanying Notes to the Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Root River Soil and Water Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2024. 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 Root River 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 four-year terms by the voters of Houston 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.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds of the District are presented as follows:

> The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.
>
> The *special revenue fund* accounts for all activities associated with the One Watershed, One Plan (1W1P) for the Mississippi River-Winona La Crescent Watershed joint powers agreement for the management, restoration, and protection of resources within the area.

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.

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 local grant amounts that were received after year-end and all eligibility requirements were met.

Prepaid Expenses

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

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life 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 5 to 10 years. The District uses the threshold of $5,000 for capitalizing assets purchased.

Leases

The District determines if an arrangement is a lease at inception. Leases are included in right-to-use assets and lease liabilities in the statement of net position.

Right-to-use assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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)

Leases (Continued)

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use assets on the statement of net position. The District accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

Unearned Revenue

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

Compensated Absences

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

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts 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 vacation and sick leave pay will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave pay liabilities at December 31, 2024 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.

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. Non-spendable fund balance represents amounts that are inherently non-spendable 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.

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.

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)

Explanation of Adjustments Column in Statements

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

Depreciation and Amortization, Net Pension Expense and Change in Compensated Absences for the year: In the Governmental Funds Revenues, Expenditures and Changes in Fund Balance and Statement of Activities of Governmental Activities, the adjustment equals the total depreciation and amortization 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.

Change in Accounting Principle

Effective January 1, 2024, the District adopted GASB 101, *Compensated Absences*. The new standard aligns the recognition and measurement under a unified model and by amending certain previously required disclosures. The District already had a policy in place for this; therefore, this has no affect on them.

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.

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, 2024, the District's deposits were not exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024, was as follows:

	Beginning	Addition	Deletion	Ending
Equipment	$ 71,399	$ -	$ -	$ 71,399
Right-to-use Leased Asset	75,353	-	-	75,353
Total	146,752	-	-	146,752
Less: Accumulated Depreciation	52,154	9,117	-	61,271
Less: Accumulated Amortization	20,095	15,071	-	35,166
Total Depreciation/Amortization	72,249			96,437
Net Capital Assets	$ 74,503			$ 50,315

Current year depreciation is $9,117 and amortization is $15,071.

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 general fund for the year ended December 31, 2024, consisted of the following: County ARPA $27,540; Conservation Delivery $22,505; County Wetland Conservation Act $5,000; Buffer Law $55,340; County Aquatic Invasive Species $50,928; Capacity County Match $2,000; Total $163,313.

Unearned revenue for the special revenue fund for the year ended December 31, 2024, consisted of the following: One Watershed One Plan Funds $588,839; CRP Incentives $49,746; Total $638,585. Grant total between funds is $801,898.

NOTE 5 – LONG-TERM LIABILITIES

Lease Liability

The District entered into a lease agreement for office space. The lease agreement has an effective period of September 1, 2022 and will terminate on August 31, 2027. Payments on the agreement are due monthly with an interest rate of 1.00%. This interest rate was based on the historical yield rate for municipal bonds.

The following is a summary of future minimum lease payments for the lease liability:

Year ending December 31,

	Principal	Interest	Total
2025	$ 15,107	$ 337	$ 15,444
2026	15,258	185	15,443
2027	10,257	39	10,296
Total	$ 40,622	$ 561	$ 41,183

Description of Long-Term Debt

Vacation and Sick Leave Pay

Vacation leave accrual varies from 8 to 17 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of vacation leave is 192 hours and the limit on the accumulation of sick leave is 800 hours. Upon termination of employment from the District, employees are paid accrued vacation leave and up to 50% of the accrued sick leave not to exceed 360 hours.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Description of Long-Term Debt (Continued)

Compensated Absences Payable

The amount of the estimated obligation at December 31, 2024 was $59,108.

Changes in Long-Term Debt

The following is a summary of changes in the District's long-term liabilities for the year ended December 31, 2024:

	January 1, 2024	Increases	Decreases	December 31, 2024
Lease Liability	$ 40,622	$ -	$ 15,107	$ 25,515
Net Pension Liability	178,940	-	77,649	101,291
Compensated Absences*	53,528	5,580	-	59,108
Total	$ 273,090	$ 5,580	$ 92,756	$ 185,914

*The change in the compensated absences liability is presented as a net change.

The current portion of the lease liability as of December 31, 2024 was $15,107.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; workers' compensation claims; or natural disasters. The District has entered into an agreement with the Minnesota Counties Intergovernmental Trust (MCIT) to cover its liabilities for workers compensation and property and casualty. There were no significant reductions of insurance coverage from the prior 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 plan administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 353E. 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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 1.00 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for General Plan members. The District’s contributions to the General Employees Fund for the year ended December 31, 2024, were $17,737. The District’s contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2024, the District reported a liability of $101,291 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 $2,619.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

District's proportionate share of the net pension liability	$	101,291
State of Minnesota's proportionate share of the net pension liability associated with the District		2,619
Total	$	103,910

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0027 percent at the end of the measurement period and .0032 percent for the beginning of the period.

For the year ended December 31, 2024, the District recognized a pension credit of $19,783 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $70 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.10 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.10 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $4,660 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,186	$ 1,177
Changes in actuarial assumptions	686	43,038
Net difference between projected and actual earnings on pension plan investments	-	20,686
Changes in proportion	-	18,657
Employer contributions subsequent to the measurement date	8,870	-
Total	$ 19,742	$ 83,558

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The $8,870 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount	
2025	$	(42,898)
2026		(5,630)
2027		(17,987)
2028		(6,171)

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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. The 7.00 percent 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 considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

- 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 3.00 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 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, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the GERF net pension liability:	$ 221,235	$ 101,291	$ 2,625

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 – 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.

NOTE 9 – JOINT POWERS AGREEMENT

In early 2021, the Root River Soil and Water Conservation District joined together with other planning partners located in Mississippi River-Winona La Crescent Watershed area to submit a nomination to pilot a One Watershed, One Plan (1W1P). The four-county watershed planning area includes those portions of Houston, Olmsted, Wabasha and Winona counties that drain to the Mississippi River.

With the development of the Mississippi River-Winona La Crescent Watershed, the Counties of Houston, Olmsted, Wabasha and Winona by and through their respective County Boards of Commissioners; the Olmsted, Root River, Wabasha and Winona County Soil and Water Conservation Districts (SWCDs), by and through their respective Soil and Water Conservation District Boards of Supervisors; the Stockton-Rollingstone-Minnesota City Watershed District (SRMCWD), by and through its respective Board of Managers; and the City of Winona, by and through its Council Members entered into a joint powers agreement pursuant to Minnesota Statutes Chapter 471.59.

This agreement does not establish a joint powers entity but sets out the terms and provisions by which the parties will continue the cooperative and collaborative work of the Counties, the Soil and Water Conservation Districts, the Watershed District and the City of Winona with the Board of Water and Soil Resources (BWSR) in an advisory capacity for the continued planning and implementation of the One Watershed, One Plan for the Mississippi River-Winona La Crescent Watershed in the future.

Root River Soil and Water Conservation District has been designated, by the JPA Policy Committee, the Fiscal Agent for the Mississippi River-Winona La Crescent Watershed, One Plan.

As Fiscal Agent they agreed to:

a. Accept all fiscal responsibilities associated with the implementation of the BWSR grant agreement for developing a watershed-based plan and sign the grant agreement on behalf of the Parties listed within, and being responsible for BWSR reporting requirements associated with the grant agreement.
b. Perform financial transactions as part of grant agreement and contract implementation.
c. Pursuant to Minnesota Statute Section 471.59, Subd. 3, provide for strict accountability of all funds and report all receipts and disbursements and annually provide a full and complete audit report.
d. Provide the Policy Committee and its members with such records as are necessary to describe the financial condition of the grant agreements the Policy Committee reviews.
e. Responsible for fiscal records retention consistent with the Fiscal Agent's records retention schedule until termination of agreement. At that time, the fiscal records will be turned over to the Day-to-Day Contract.

NOTE 10 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	$	984,521
Plus: Excess of Revenues Over Expenditures		204,451
Governmental Fund Balance, December 31	$	1,188,972
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	$	50,315
Plus: Deferred Outflows of Resources		19,742
Less: Current Liabilities		(15,107)
Less: Long-Term Liabilities		(185,914)
Less: Deferred Inflows of Resources		(83,558)
Net Position	$	974,450

NOTE 11 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in Fund Balance	$	204,451
Pension Credit, net		19,783
Principal Payments on Lease Liability		14,957
Right-of-Use Asset Amortization		(15,071)
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(9,117)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		(5,580)
Change in Net Position	$	209,423

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through October 16, 2025, the date the financial statements were available to be issued.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - GENERAL
YEAR ENDED DECEMBER 31, 2024

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	$ 188,620	$ 367,408	$ 178,788
Federal	-	31,076	31,076
State Grants	389,239	603,641	214,402
Total Intergovernmental	577,859	1,002,125	424,266
Charges for Services	7,326	12,033	4,707
Interest Earnings	498	2,817	2,319
Miscellaneous	44,042	23,924	(20,118)
Total Revenues	629,725	1,040,899	411,174
EXPENDITURES			
District Operations:			
Personnel Services	322,281	324,490	(2,209)
Other Services and Charges	90,787	55,747	35,040
Supplies	2,638	1,883	755
Total District Operations	415,706	382,120	33,586
Project Expenditures:			
District	72,916	199,219	(126,303)
State	131,362	263,825	(132,463)
Total Project Expenditures	204,278	463,044	(258,766)
Total Expenditures	619,984	845,164	(225,180)
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	9,741	195,735	185,994
Fund Balance - Beginning of Year	984,200	984,200	-
FUND BALANCE - END OF YEAR	$ 993,941	$ 1,179,935	$ 185,994

See accompanying Notes to the Required Supplementary Information.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - 1W1P
YEAR ENDED DECEMBER 31, 2024

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
State Grants	$ 112,530	$ 124,459	$ 11,929
Total Intergovernmental	112,530	124,459	11,929
Interest Earnings	-	8,716	8,716
Total Revenues	112,530	133,175	20,645
EXPENDITURES			
Project Expenditures:			
Project Development	79,750	7,469	72,281
Administration	16,300	32,516	(16,216)
Other Costs	6,250	-	6,250
Technical Engineering	-	50,290	(50,290)
Educational/Informational	-	4,518	(4,518)
Projects	-	29,666	(29,666)
Total Project Expenditures	102,300	124,459	(22,159)
Total Expenditures	102,300	124,459	(22,159)
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	10,230	8,716	(1,514)
Fund Balance - Beginning of Year	321	321	-
FUND BALANCE - END OF YEAR	$ 10,551	$ 9,037	$ (1,514)

See accompanying Notes to the Required Supplementary Information.

ROOT RIVER SOIL AND WATER CONSERVATION DISTRICT
CALEDONIA, MINNESOTA

SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2024

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	$ 11,559	$ 11,559	$ -	$ 154,120	7.50%
2016	$ 16,206	$ 16,206	$ -	$ 216,089	7.50%
2017	$ 18,135	$ 18,135	$ -	$ 241,799	7.50%
2018	$ 18,341	$ 18,341	$ -	$ 244,545	7.50%
2019	$ 19,268	$ 19,268	$ -	$ 256,901	7.50%
2020	$ 19,684	$ 19,684	$ -	$ 262,453	7.50%
2021	$ 20,481	$ 20,481	$ -	$ 273,080	7.50%
2022	$ 21,570	$ 21,570	$ -	$ 287,600	7.50%
2023	$ 17,047	$ 17,047	$ -	$ 227,344	7.50%
2024	$ 17,737	$ 17,737	$ -	$ 236,490	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, 2024

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	0.0032%	$ 168,380	$ -	$ 168,380	$ 187,867	89.63%	78.19%
2016	0.0030%	$ 243,585	$ 3,245	$ 246,830	$ 158,852	155.38%	68.90%
2017	0.0037%	$ 236,206	$ 2,934	$ 239,140	$ 244,254	97.91%	75.90%
2018	0.0036%	$ 199,713	$ 6,519	$ 206,232	$ 243,423	84.72%	79.50%
2019	0.0035%	$ 193,507	$ 6,166	$ 199,673	$ 250,692	79.65%	80.20%
2020	0.0037%	$ 221,832	$ 6,815	$ 228,647	$ 259,677	88.05%	79.10%
2021	0.0038%	$ 162,277	$ 4,935	$ 167,212	$ 267,767	62.45%	87.00%
2022	0.0038%	$ 300,961	$ 8,798	$ 309,759	$ 282,018	109.84%	76.70%
2023	0.0032%	$ 178,940	$ 4,950	$ 183,890	$ 262,759	69.98%	83.10%
2024	0.0027%	$ 101,291	$ 2,619	$ 103,910	$ 231,893	44.81%	89.10%

* 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.

See accompanying Notes to the Required Supplementary Information.

NOTE 1 – DEFINED BENEFIT PENSION PLAN – CHANGES IN ACTUARIAL METHODS AND ACTUARIAL ASSUMPTIONS

The following changes were reflected in the valuation of the General Employees Retirement Plan performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

2024 -

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

2023 -

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2022 -

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

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.

NOTE 1 – DEFINED BENEFIT PENSION PLAN – CHANGES IN ACTUARIAL METHODS AND ACTUARIAL ASSUMPTIONS (CONTINUED)

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.

NOTE 2 – DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS

The following changes were reflected in the valuation of the General Employees Retirement Plan performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

2024 -The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 –

- An additional one-time direct state aid contribution of $170.10 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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.

NOTE 2 – DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS (CONTINUED)

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 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets for the general fund and the 1W1P fund 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 funds. 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 $845,164; Budget $619,984; Excess $225,180.

Excess of expenditures over budget – The 1W1P Fund had expenditures in excess of budget for the year as follows: Expenditures $124,459; Budget $102,300; Excess $22,159.

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Root River Soil and Water Conservation District
Caledonia, 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 each major fund of Root River Soil and Water Conservation District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Root River Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated October 16, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Root River 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 Root River 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

October 16, 2025

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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
Root River Soil and Water Conservation District
Caledonia, 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 each major fund of Root River Soil and Water Conservation District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Root River Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated October 16, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Root River 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 Root River Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Root River 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 over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Root River 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*.

Root River 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 accompanying Schedule of Findings and Responses. The Root River 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

October 16, 2025

2024-001: 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.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective matter.

Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud, including misappropriation of assets, could occur and not be detected within a timely basis.

Prior Year Finding: Yes, 2023-001.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. 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 Board of Supervisors.

Monthly revenue and expenditure reports are made available to both the district manager and administrative assistant on a monthly basis through the county financial department. The district manager reviews these reports and verifies that the monthly Treasurer's report prepared by the administrative assistant reflects all transactions as listed on the reports.

A bi-weekly grant tracking report is produced by the administrative assistant reflecting grant totals on open grants where staff time has been dedicated. Each staff reviews this report for accuracy of time worked on grants. All open grants are also included on the monthly Treasurer's report reflecting the amount spent on each grant along with the year-to-date expenditure and the grant's remaining balance.

2024-002: 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.

Prior Year Finding: No.

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.