MCLEOD SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

MCLEOD SOIL AND WATER CONSERVATION DISTRICT
GLENCOE, MINNESOTA
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DECEMBER 31, 2021

MCLEOD SOIL AND WATER CONSERVATION DISTRICT
GLENCOE, MINNESOTA
ORGANIZATION
DECEMBER 31, 2021

TITLE	NAME	TERM EXPIRES
Chair	Charles Mathews	12/31/2022
Vice-Chair	John Adamek	12/31/2024
Treasurer	Joel Griebie	12/31/2024
Secretary	Gary Templin	12/31/2022
Member	Mark Schnobrich	12/31/2024

PETERSON COMPANY LTD.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
McLeod Soil and Water Conservation District
Glencoe, Minnesota

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McLeod Soil and Water Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McLeod Soil and Water Conservation District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McLeod 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 McLeod Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 7 and the budgetary comparison schedule on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2022, on our consideration of McLeod 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 McLeod Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

September 3, 2022

The McLeod Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

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. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since Districts are single-purpose, special-purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

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

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

REPORTING THE DISTRICT'S GENERAL FUND

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund—not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE DISTRICT AS A WHOLE

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

Net Position:

	Governmental Activities	
	2021	**2020**
Current Assets	$ 853,064	$ 788,781
Capital Assets, net of depreciation	76,025	92,657
Total Assets	$ 929,089	$ 881,438
Current Liabilities	$ 270,246	$ 451,238
Total Liabilities	$ 270,246	$ 451,238
Investment in Capital Assets	$ 76,025	$ 92,657
Unrestricted	582,818	337,543
Total Net Position	$ 658,843	$ 430,200

Net position of the District's governmental activities increased by $228,643. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from $337,543 at December 31, 2020 to $582,818 at December 31, 2021.

Change in Net Position:

	Governmental Activities	
	2021	2020
Revenues		
Intergovernmental	$ 772,059	$ 537,877
Charges for Services	83,537	92,087
Interest Earnings	131	217
Rental Income	1,099	3,321
Miscellaneous	117	2,812
Total Revenues	$ 856,943	$ 636,314
Expenses		
Conservation	$ 628,300	$ 506,685
Total Expenses	$ 628,300	$ 506,685
Increase (decrease) in Net Position	$ 228,643	$ 129,629

The District's total revenues increased by $220,629. The total cost of programs and services increased by $121,615.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund as presented in the balance sheet reported a combined fund balance of $582,818, which is above last year's total of $337,543.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual charges to appropriations (expenditures) were $153,536 above the final budgeted amounts. The most significant positive variance of $320,927 occurred in State Revenue. The most significant negative variance of $100,528 occurred in State Project Expenditures.

CAPITAL ASSETS

At the end of 2021, the District had $76,025 invested in capital assets. This amount represents a net decrease (including additions and deletions) of $16,632 from last year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the McLeod Soil and Water Conservation District at 520 Chandler Ave N, Glencoe, MN 55336. The phone number is 320-864-5176.

MCLEOD SOIL AND WATER CONSERVATION DISTRICT
GLENCOE, MINNESOTA
GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash	$ 801,619	$ -	$ 801,619
Due from Other Governments	51,445	-	51,445
Capital Assets:			
Property & Equipment, net of accumulated depreciation	-	76,025	76,025
Total Assets	$ 853,064	$ 76,025	$ 929,089
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 26,594	$ -	$ 26,594
Due to Other Governments	921	-	921
Accrued Wages	11,976	-	11,976
Unearned Revenue	230,755	-	230,755
Total Liabilities	$ 270,246	$ -	$ 270,246
FUND BALANCE/NET POSITION			
Fund Balance:			
Unassigned	$ 582,818	$ (582,818)	$ -
Total Fund Balance	$ 582,818	$ (582,818)	$ -
Net Position:			
Investments in Capital Assets		$ 76,025	$ 76,025
Unrestricted		582,818	582,818
Total Net Position		$ 658,843	$ 658,843

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

	General Fund	Adjustments	Governmental Activities
REVENUES			
Intergovernmental	$ 772,059	$ -	$ 772,059
Charges for Services	83,537	-	83,537
Interest Earnings	131	-	131
Rental Income	1,099	-	1,099
Miscellaneous	117	-	117
Total Revenues	856,943	-	856,943
EXPENDITURES/EXPENSES			
Conservation:			
Current	611,668	16,632	628,300
Total Expenditures/Expenses	611,668	16,632	628,300
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	245,275	(16,632)	228,643
Fund Balance/Net Position - Beginning of Year	337,543	92,657	430,200
FUND BALANCE/NET POSITION - END OF YEAR	$ 582,818	$ 76,025	$ 658,843

See accompanying Notes to the Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The McLeod 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 McLeod County.

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

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

Basic Financial Statements

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

Measurement Focus and Basis of Accounting

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

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, Liabilities, and Net Position or Fund Balance

Cash

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.

Due from Other Governments

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

Capital Assets

The cost of property and equipment is depreciated over the estimated useful life of the related assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 7 years, Vehicles are 5 years, and Buildings are 30 years. The District uses the threshold of $500 for capitalizing assets purchased.

Unearned Revenue

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Fund Balance

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

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

Net Position

Net position represents the difference between assets and liabilities 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, Liabilities, and Net Position or Fund Balance (Continued)

Explanation of Adjustments Column in Statements

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

Depreciation for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year.

NOTE 2 – DEPOSITS

All District funds are on deposit with McLeod County, per the service agreement between McLeod County and McLeod Soil and Water Conservation District. McLeod County shall serve as fiscal agent for the District and maintain all funds in segregated accounts. McLeod County's cash and investment policies are followed. Minnesota Statutes require that all County deposits be protected by insurance, surety bond, or collateral.

NOTE 3 – CAPITAL ASSETS

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

	Beginning	Addition	Deletion	Ending
Equipment	$ 121,117	$ -	$ -	$ 121,117
Building	60,462	-	-	60,462
Total	181,579	-	-	181,579
Less: Accumulated Depreciation	88,922	16,632	-	105,554
Net Capital Assets	$ 92,657			$ 76,025

Current year depreciation is $16,632.

NOTE 4 – UNEARNED REVENUE

Unearned revenue 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. Unearned revenue for the year ended December 31, 2021, consisted of the following: BWSR Cost Share Program $4,480; Local Capacity $210,376; McLeod County Drainage Ditch 63 $15,899; Total $230,755.

NOTE 5 – LONG-TERM LIABILITIES

At the end of 2021, the District did not have any long-term liabilities.

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. For other risks, the District carries commercial insurance. 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

The District does not employ staff. Per the staff agreement between McLeod County and McLeod Soil and Water Conservation District, all employees are considered County employees. McLeod County is responsible for pension plans for the District's contracted staff.

NOTE 8 – OPERATING LEASES

McLeod County provides the District with office space on an annual basis.

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through September 3, 2022, the date the financial statements were available to be issued.

NOTE 11 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	$	337,543
Plus: Excess of Revenues Over Expenditures		245,275
Governmental Fund Balance, December 31	$	582,818
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	$	76,025
Net Position	$	658,843

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

Change in Fund Balance	$	245,275
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(16,632)
Change in Net Position	$	228,643

MCLEOD SOIL AND WATER CONSERVATION DISTRICT
GLENCOE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	$ 82,750	$ 82,750	$ -
State Grants	368,382	689,309	320,927
Total Intergovernmental	451,132	772,059	320,927
Charges for Services	7,000	83,537	76,537
Interest Earnings	-	131	131
Rental Income	-	1,099	1,099
Miscellaneous	-	117	117
Total Revenues	458,132	856,943	398,811
EXPENDITURES			
District Operations:			
Contracted Personnel Services	365,000	350,286	14,714
Other Services and Charges	29,400	59,005	(29,605)
Supplies	5,000	763	4,237
Capital Outlay	25,000	-	25,000
Total District Operations	424,400	410,054	14,346
Project Expenditures:			
District	4,000	4,368	(368)
County	5,000	71,986	(66,986)
State	24,732	125,260	(100,528)
Total Project Expenditures	33,732	201,614	(167,882)
Total Expenditures	458,132	611,668	(153,536)
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	-	245,275	245,275
Fund Balance - Beginning of Year	337,543	337,543	-
FUND BALANCE - END OF YEAR	$ 337,543	$ 582,818	$ 245,275

See accompanying Notes to the Required Supplementary Information.

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures $611,668; Budget $458,132; Excess $153,536.

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
McLeod Soil and Water Conservation District
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of McLeod Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the McLeod Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated September 3, 2022.

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

September 3, 2022

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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
McLeod Soil and Water Conservation District
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of McLeod Soil and Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the McLeod Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated September 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McLeod 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 McLeod Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McLeod 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 did not identify a deficiency in internal control over financial reporting.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McLeod 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*.

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

September 3, 2022