ANOKA CONSERVATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2019

ANOKA CONSERVATION DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2019

PETERSON COMPANY LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Anoka Conservation District
Ham Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Anoka Conservation District, Ham Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Anoka Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Anoka Conservation District as of December 31, 2019, and the respective changes in financial position for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3-8, the budgetary comparison statement on page 25, and defined benefit pension plan schedules on page 26 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Anoka 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 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 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 Anoka Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

October 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
ANOKA CONSERVATION DISTRICT
DECEMBER 31, 2019

This report presents Anoka Conservation District's (ACD) financial activity for the year ending December 31, 2019 and includes three sections: Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements. The discussion and analysis is written in lay terms and focuses on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the ACD's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- ACD derived 63 percent ($1,211,291 of $1,908,614) of its revenue from other governmental sources in 2019. Of that, all but $166,992 was acquired competitively through grants or through annual contracts. The $166,992 is provided by Anoka County through an annual appropriation that has remained stable over the last decade and represents 7.8 percent of ACD's budget. When preparing the budget, the Board of Supervisors adjusts for this high level of uncertainty by erring on the side of caution when speculating on which programs will be funded and the level of staffing that will be needed to implement projects. In a successful year, actual revenues and expenditures will far exceed those originally budgeted.
- ACD's General Fund Balance increased by $40,939 in 2019.
- ACD purchased its office headquarters in 2010. The ACD Board of Supervisors has elected to accelerate principal payments on the mortgage. $90,768 remains due on the mortgage.
- Rent from ACD's office headquarters totaled $49,432 and associated expenses were $72,889 resulting in an operating deficit of $23,457. $25,815 of the expenditures was for improvements to the land to accommodate a future storage building. These figures do not include $38,330 in annual rent ACD pays itself. These self-directed payments are necessary to ensure the office complex is sufficiently well funded to operate and to segregate 'conservation' from 'land operation' finances.
- With the implementation of the GASB Statement No. 34 requirement that capital assets are depreciated, there was a 2019 depreciation of $20,660, of which $5,556 was for depreciation of the buildings at the office headquarters on McKay Drive in Ham Lake.
- ACD holds two conservation easements for which landowners provided funds that were invested in a certificate of deposit. Each account has a base balance of $10,000 (Kern Easement Administration and the Rum River Nature Area Easement Administration) for a total of $20,000. Interest from these accounts covers the cost of annual site inspections. In the case of the Kern easement, the landowner also provided $20,000 to establish a property management account. The management account is used for habitat restoration projects and may only be used for enhancement of ecosystems on the property. At year-end, the Kern Easement Management account had a balance of $11,564.
- 2019 marked the tenth year of sales of the Rain Guardian pretreatment chambers developed by ACD. The Gross sales were $501,444 with related direct expenses not including labor of $301,148 for net revenue of $200,296.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the 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 ACD as a whole and present a longer-term view of the ACD's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the ACD's operations in more detail than the government-wide statements by providing information about the ACD's most significant funds. Since conservation districts are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. ACD has elected to present in this format even though ACD segregates the purchase of the office headquarters from the conservation activities. All expenses and revenues associated with ownership of the property at McKay Drive are reflected under Land Operation. The total value of this function is small relative to the overall function of ACD and so does not warrant a separate presentation. Furthermore, long-term reductions in lease payments and revenues from renting office space in the office complex ultimately benefit conservation initiatives in Anoka County.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about ACD's finances, is "Is ACD 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 ACD 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 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 ACD's net position and changes in them. You can think of ACD's net position (the difference between assets and liabilities) as one way to measure ACD's financial health, or financial position. Over time, increases or decreases in ACD's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, ACD presents Government activities. All of ACD's basic services are reported here. Fees for service, appropriations from the county, and grants from the state finance most activities. Fees for service are most often generated by supplying contract services to other local government entities. Typical services include natural resource monitoring, inventory and analysis, project planning, design, and installation coordination, and grant administration.

Reporting Anoka Conservation District's General Fund

The Fund Financial Statements provide detailed information about the general fund, not ACD as a whole. ACD presents only a general fund, which is a governmental fund. All of ACD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds 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 ACD's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance ACD'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 Statement of Net Position and Governmental Fund Balance Sheet shows ACD's net position to be $390,968, however much of this value is tied to the value of the land held by the ACD. Ideally, the Board of Supervisors would like to have sufficient unassigned funds to cover six months of operating expenses. Operating expenses are shown as "District Operations" on the Budgetary Comparison Schedule. Six months equates to $449,523 in 2019. The current unassigned fund balance is $207,031.

The Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance is intended to show the differentiation of expenses between operational functions. As of 2010, ACD's purchase of the office complex that includes several rentable suites has added land operation as a function of ACD. As a percentage of District operations, it remains small at only 3.9 percent. Land operation revenues and expenses are segregated from other programs and services. This enables the ACD Board of Supervisors to set appropriate lease rates to ensure revenues are sufficient to cover annual and long-term property management costs. To this end, ACD pays itself rent for ACD's occupied space each month. For accounting purposes this inflates revenues and expenses in a manner that requires an adjustment in the year-end financial statements to reduce both revenues and expenses by $38,330, the amount of rents paid by ACD to ACD under Expenditures: Conservation: Current and Revenue: Rents.

ANOKA CONSERVATION DISTRICT AS A WHOLE

The analysis below focuses on the net position and changes in net position of ACD's governmental activities shown in Table 1 and Table 2. All activities of ACD ultimately benefit conservation and all activities are governmental due to the fact that conservation districts are special purpose governmental entities. Charges for services include product sales and fees for service to the private sector. Fees charged to other local government entities such as watershed management organizations and watershed districts for natural resource monitoring, inventory, and analysis as well as project management are recorded as intergovernmental revenues.

ACD's total net position decreased from $430,087 to $390,968 in 2019. 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 $(168,847) at December 31, 2018 to $(206,949) at December 31, 2019.

Table 1: Net Position:

	Governmental Activities	
	2019	**2018**
Current Assets	$ 1,062,787	$ 1,197,062
Capital Assets, net of depreciation	597,917	598,934
Deferred Outflows of Resources	80,553	131,360
Combined Assets and Deferred Outflows of Resources	$ 1,741,257	$ 1,927,356
Current Liabilities	$ 595,776	$ 770,000
Long-Term Liabilities	594,101	593,278
Deferred Inflows of Resources	160,412	133,991
Combined Liabilities and Deferred Inflows of Resources	$ 1,350,289	$ 1,497,269
Investment in Capital Assets	$ 597,917	$ 598,934
Unrestricted	(206,949)	(168,847)
Total Net Position	$ 390,968	$ 430,087

ACD's total revenues increased by $1,259 (0.07 percent). The total cost of programs and services increased by $77,059 (4.11 percent).

Table 2: Change in Net Position:

	Governmental Activities	
Revenues	2019	2018
Intergovernmental	$ 1,211,291	$ 1,416,960
Charges for Services	100,600	19,349
Product Sales	533,198	412,141
Interest Earnings	14,093	9,988
Rental Income	49,432	48,917
Total Revenues	$ 1,908,614	$ 1,907,355
Expenses		
Conservation	$ 1,924,046	$ 1,841,894
Land Operation	23,687	28,780
Total Expenses	$ 1,947,733	$ 1,870,674
Increase (decrease) in Net Position	$ (39,119)	$ 36,681

Governmental Activities

The cost of all governmental activities this year excluding land operation was $1,918,346 compared to $1,841,894 last year. However, the amount that our taxpayers ultimately financed for these activities through county taxes was only $225,678. Service contracts with various local government entities generated $266,514 in revenue that was also likely borne by Anoka County taxpayers. Much of ACD's revenue is from customers or sources outside of Anoka County: Product sales $533,198; rents $49,432; investment earnings $14,093; regional government $58,677; and state government $660,422. Overall, ACD's governmental program revenues, including intergovernmental aid and fees for services, increased in 2019 from $1,907,355 to $1,908,614.

Table 3 presents the cost of each of ACD's programs that exceed $20,000 in annual expenses as well as each program's net cost. The largest cost of any non-construction program is personnel. Since all personnel expenses are accounted for as a single category for ACD as a whole in the financial transactions, this section utilizes ACD's Program Register. The Program Register allocates all personnel expenses to each of ACD's programs per the hours documented in daily staff hours' logs. Overhead expenses such as rent, utilities, training, and supervisor compensation are allocated to programs in proportion to the personnel expense needed for the program. Direct program expenses are also recorded against the program in the Program Register. In 2019 there were 108 separate programs and services included in the Program Register. The net cost shows the amount of county general services funds that were allocated to the project to balance its budget. Programs with a negative net cost generated positive revenue.

Table 3: Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Rain Guardian Sales	$370,164	$283,893	$131,280	-$98,385
Mississippi River Stabilization	$320,920	$45,372	$1,515	$163
Golden Lake IESF 2	$145,137	$437,531	$3,322	$446
Wetland Conservation Act	$114,953	$90,195	$11,909	$1,264
McKay Property Management	$94,993	$122,482	$7,231	$35,235
New Program Development	$62,324	$53,367	$41,559	$32,275
Outreach Program	$58,969	$0	-$15,937	$0
ACD Comp Planning	$52,031	$27,560	$1,153	$1,474
Carp Management – Typo & Martin Lakes	$31,571	$56,962	$,178	-$247
Rum River Site 4 Stabilization	$30,303	$68,044	$,424	-$527
SSTS - MPCA Fix-Up Fund	$28,675	$26,105	$63	$116
Tree Sale	$28,180	$30,378	$1,789	$476
Highland Sullivan SRA	$27,961	$0	$1,137	$0
Lake Water Quality Monitoring	$26,884	$30,592	$,490	$3,242
Stream Water Quality Monitoring	$25,512	$26,567	-$15,238	-$16,398
Regional Collaborations and Planning	$23,634	$0	$21,768	$0
Campus Groundwater Conservation Program	$22,854	$22,251	$1,738	$117
Rum River Revetments - CPL	$22,078	$34,759	-$1,135	-$487
Totals	$1,487,143	$1,356,058	($69,314)	($41,236)

2018 Activities That Didn't Meet the $20,000 Expense Threshold in 2019		
Lake George Watershed Analysis	$31,888	-$4,543
Sunrise WMO Planning	$26,749	$829
LRRWMO Retrofits	$26,682	$68
Water Resources Almanac	$23,422	$404
Staff Development	$23,140	$355
Buckthorn Mikkelson	$22,614	$166
Totals	$154,495	($2,721)

ANOKA CONSERVATION DISTRICT'S GENERAL FUND

As ACD completed this year, its general fund reported a fund balance of $491,398, which is above last year's total of $450,459. Included in this year's total change in fund balance is a surplus of $40,939 in ACD's General Fund. The primary reasons for the General Fund's surplus mirror the government activities analysis highlighted on the preceding pages.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

At the end of 2019, ACD had $597,917 in capital assets, including equipment, buildings, and land. This amount represents a net decrease (including additions, deletions and depreciation) of ($1,017) or 0.17 percent to last year.

Table 4: Capital Assets at Year End

	Governmental Activities	
	2019	**2018**
Land	$328,815	$303,000
Buildings	$227,776	$233,333
Equipment	$41,326	$62,601
Totals	**$597,917**	**$598,934**

This year's $27,243 of additions included $1,428 for Vectorworks Licenses and $25,815 for land improvements to prepare the site for a storage building.

ACD's fiscal-year 2020 capital budget calls for it to spend $78,200 for a boat, tablet computers for supervisors, laptop computers for staff, and a pole building.

Long-Term Liabilities

Long-term obligations include accrued flexible time off, compensatory time, and the mortgage for the McKay property. ACD secured the McKay property in August of 2010. The property was in foreclosure and held by Trustone Financial Credit Union. Trustone Financial financed a mortgage that enabled ACD to purchase the property. The Anoka County Attorney's Office was consulted prior to purchasing the property. It was the opinion of the county attorney that ACD had the authority to purchase the property under MN. Stat. 103C.331 Powers of the ACD Board Subd.8. Acquisition and maintenance of property, which states "A district may acquire any rights or interest in real or personal property by option, purchase, exchange, lease, gift, grant, bequest, devise, or otherwise. It may maintain, operate, administer, and improve any properties acquired. It may receive income from properties and expend the income to implement this chapter and sections 103F.401 to 103F4.55. It may sell, lease, or otherwise dispose of any of its property or interests." ACD does not have the authority to levy taxes or issue bonds, i.e. issue debt. The mortgage is backed by the value of the property and not by the public trust and so the mortgage does not constitute a financial obligation to the taxpayer should ACD become insolvent. Rather, the property would simply return to holder of the mortgage.

More detailed information about ACD's long-term liabilities is presented in the Statement of Net Position and in Note 2 to the financial statements.

CONTACTING ANOKA CONSERVATION DISTRICT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of ACD's finances and to show ACD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Anoka Conservation District
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ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and Cash Equivalents	$ 729,551	$ -	$ 729,551
Accounts Receivable	20,815	-	20,815
Due from Other Governments	222,495	-	222,495
Inventory	78,188	-	78,188
Prepaid Items	11,738	-	11,738
Capital Assets:			
Land & Building (net of accumulated depreciation)	-	556,591	556,591
Equipment (net of accumulated depreciation)	-	41,326	41,326
Total Assets	1,062,787	597,917	1,660,704
Deferred Outflows of Resources			
Defined Benefit Pension Plan	-	80,553	80,553
Combined Assets and Deferred Outflows of Resources	$ 1,062,787	$ 678,470	$ 1,741,257
Liabilities			
Current Liabilities:			
Accounts Payable	$ 5,554	$ -	$ 5,554
Accrued Wages	21,736	-	21,736
Deposits on Sales	17,551	-	17,551
Easement Endowments	31,564	-	31,564
Security Deposits	4,102	-	4,102
Mortgage Payable	-	24,387	24,387
Unearned Revenue	490,882	-	490,882
Long-term Liabilities:			
Net Pension Liability	-	464,417	464,417
Compensated Absences	-	63,303	63,303
Mortgage Payable	-	66,381	66,381
Total Liabilities	571,389	618,488	1,189,877
Deferred Inflows of Resources			
Defined Benefit Pension Plan	-	160,412	160,412
Combined Liabilities and Deferred Inflows of Resources	$ 571,389	$ 778,900	$ 1,350,289
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepaids	$ 11,738	$ (11,738)	$ -
Nonspendable - Inventory	78,188	(78,188)	-
Assigned	194,441	(194,441)	-
Unassigned	207,031	(207,031)	-
Total Fund Balance	$ 491,398	$ (491,398)	$ -
Net Position			
Investments in Capital Assets		$ 597,917	$ 597,917
Unrestricted		(206,949)	(206,949)
Total Net Position		$ 390,968	$ 390,968

Notes are an integral part of the basic financial statements.

ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	$ 1,211,291	$ -	$ 1,211,291
Charges for Services	100,600	-	100,600
Product Sales	533,198	-	533,198
Rental Income	49,432	-	49,432
Interest Earnings	14,093	-	14,093
Total Revenues	$ 1,908,614	$ -	$ 1,908,614
Expenditures/Expenses			
Land Operation			
Current	$ 19,381	$ -	$ 19,381
Capital Outlay	25,815	(25,815)	-
Debt Service, Principal	23,387	(23,387)	-
Debt Service, Interest	4,306	-	4,306
Conservation			
Current	$ 1,793,358	$ 130,688	$ 1,924,046
Capital Outlay	1,428	(1,428)	-
Total Expenditures/Expenses	$ 1,867,675	$ 80,058	$ 1,947,733
Excess of Revenues Over (Under) Expenditures/Expenses	$ 40,939	$ (80,058)	$ (39,119)
Fund Balance/Net Position January 1	$ 450,459	$ (20,372)	$ 430,087
Fund Balance/Net Position December 31	$ 491,398	$ (100,430)	$ 390,968

Notes are an integral part of the basic financial statements.

Note 1 – Summary of Significant Accounting Policies

The financial reporting policies of the Anoka Conservation District (ACD) conform to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

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

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

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

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

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

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the ACD considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred.

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

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

Budget Information

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Assets

Cash and cash equivalents balances are invested, to the extent available, in authorized investments. In accordance with the provisions of GASB Statement No. 31, the ACD reports investments at fair value in the financial statements. In accordance with the provisions of GASB No. 31, the ACD has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

Receivables are collectible within one year.

Inventory value is stated at cost or the lesser of fair market value.

Prepaid expenses are for items with future benefit over the next twelve months.

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Unearned Revenue

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

Long-Term Liabilities

Compensated Absences, Net Pension Liability and Mortgage Payable are accounted for as an adjustment to net position.

Classification of Net Position

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

Investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the ACD has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The ACD has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. This item results from actuarial calculations.

Pensions

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

Classifications of Fund Balances

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

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

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

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

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

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

The ACD applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the restricted fund balance classifications could be used.

Subsequent Events

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the ACD's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the ACD's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the ACD's financial condition or results of operations is uncertain.

In preparing these financial statements, the ACD has evaluated events and transactions for potential recognition or disclosure through October 21, 2020, the date the financial statements were available to be issued.

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 ACD 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 the Capital Assets Note.

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

Debt Service – Principal: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, an adjustment is made for the principal payments shown as an expenditure under the General Fund.

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

Flexible Time Off

Under the ACD's personnel policies, employees are granted Flexible Time Off (FTO) in varying amounts based on their length of service. FTO may be used for vacation, illness or other personal matters. FTO accrual varies from eighteen to thirty-four days per year for full time employees. An additional Extended Medical Benefit (EMB) is accrued at a rate of eight days per year for full time employees. The limit on the carryover of accumulated FTO from one year to the next is 240 hours and EMB is 720 hours. Upon separation from the ACD in good standing, employees are paid accrued FTO up to 240 hours. EMB is not paid out upon separation.

Risk Management

The ACD is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. To

cover these risks, Anoka County, on behalf of ACD, has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through the League of Minnesota Cities Insurance Trust. The ACD retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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

Note 2 – Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation:

	Beginning	Addition	Deletion	Ending
Cost				
Equipment	$ 121,332	$ 1,428	$ 9,500	$ 113,260
Land	303,000	25,815	-	328,815
Buildings	277,777	-	-	277,777
Total	$ 702,109	$ 27,243	$ 9,500	$ 719,852
Accumulated Depreciation				
Equipment	$ 58,730	$ 15,104	$ 1,900	$ 71,934
Buildings	44,445	5,556	-	50,001
Total	$ 103,175	$ 20,660	$ 1,900	$ 121,935
Equipment - net	$ 62,602			$ 41,326
Buildings & Land - net	536,332			556,591
Net Capital Assets	$ 598,934			$ 597,917

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life for Machinery and Equipment is 5 to 10 years and 50 years for Buildings. Current year depreciation is $20,660.

The ACD uses the threshold of $500 for capitalizing assets purchased.

Unearned Revenue

Unearned revenue represents unearned advances from several local and state entities including but not limited to the Minnesota Board of Water and Soil Resources (BWSR), the MN Department of Natural Resources (MNDNR), the MN Pollution Control Agency (MPCA), local partners and Anoka County for a variety of projects and programs. Revenues will be recognized when the related program expenditures are recorded.

Unearned revenue for the year ended December 31, 2019, consists of the following:

BWSR Mississippi Bank Stabilization	$ 73,149
BWSR Watershed Based Implementation	91,091
MPCA SSTS Funds	49,920
2019 BWSR Buffer Implementation	5,732
2019 BWSR Capacity	37,255
BWSR SSTS Cost Share	41,243
BWSR Cost Share	22,214
2020 BWSR Conservation Delivery	20,765
2020 BWSR Local Water Plan Implementation	8,094
2020 BWSR WCA Funds	63,191
2020 DNR Shoreland	2,615
Engineering Project Deposit	15,000
National Wildlife Turkey Federation	14,707
Video Production Project	7,689
Outreach Collaborative	1,702
Anoka County - District Capacity	10,965
LRRWMO Cost Share	5,950
SRWMO WBF Project Match	15,784
SRWMO Cost Share	3,816
Total	$ 490,882

Long-Term Liabilities

Changes in long-term liabilities for the period ended December 31, 2019 are:

	January 1, 2019	Increases	Decreases	December 31, 2019
Net Pension Liability	$ 449,355	$ 15,062	$ -	$ 464,417
Compensated Absences	53,165	10,138	-	63,303
Mortgage Payable	114,155	-	23,387	90,768
Total	$ 616,675	$ 25,200	$ 23,387	$ 618,488

The current portion of mortgage payable is $24,387 for December 31, 2019.

Mortgage Payable

ACD has a mortgage on the building it currently occupies. The interest rate on the loan is variable. As of December 31, 2019, the interest rate was 4.15%.

	Principal
Current Portion of Long-Term Debt	$ 24,387
Long-Term Debt, Net of Current	66,381
Total Long-Term Debt	$ 90,768

Balance December 31, 2018	$ 114,155
Principal Payments	23,387
Balance December 31, 2019	$ 90,768

Future payments on Mortgage Payable are as follows:

	Principal	Interest
2020	$ 24,387	$ 3,306
2021	25,419	2,275
2022	26,494	1,199
2023	14,468	186
Total Long-Term Debt	$ 90,768	$ 6,966

The current mortgage, negotiated in September 2015 held by TruStone Credit Union has an annual interest rate of 4.15 percent for 5 years, at which time it may increase to 4.25 percent for the remaining 5 years of the mortgage. The ACD's Board of Supervisors has elected to accelerate pay-down of the mortgage. As a result, a revised amortization schedule must be prepared each year. The December 31, 2019 principal balance was $90,768.

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the ACD to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all ACD deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, the market value of collateral pledged shall be at least ten percent more than the amount on deposit (plus accrued interest) at the close of the financial institution's banking day.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the ACD's deposits may not be returned to it. The ACD does not have a deposit policy for custodial credit risk. The market value

of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The ACD has no additional deposit policies addressing custodial credit risk. As of December 31, 2019, the ACD's deposits were not exposed to custodial credit risk.

Note 3 – Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

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

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living (COLA) announced by the SSA, with a minimum increase of at least 1.00 percent and a maximum of 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the ACD was required to contribute 7.50 percent for Coordinated Plan members. The ACD's contributions to the General Employees Fund for the year ended December 31, 2019, were $46,884. The ACD's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2019, the ACD reported a liability of $464,417 for its proportionate share of the General Employees Fund's net pension liability. The ACD's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. 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 ACD totaled $14,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ACD's proportionate share of the net pension liability was based on the ACD's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the ACD's proportionate share was .0084 percent, which was an increase of .0003 percent from its proportionate share measured as of June 30, 2018.

The District's proportionate share of the net pension liability	$ 464,417
State of Minnesota's proportionate share of the net pension liability associated with the District	14,333
Total	$ 478,750

For the year ended December 31, 2019, the ACD recognized pension expense of $92,290 for its proportionate share of the General Employees Plan's pension expense. In addition, the ACD recognized an additional $1,073 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.

At December 31, 2019, the ACD reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 13,418	$ 123
Changes in actuarial assumptions	6,686	100,850
Difference between projected and actual investment earnings	-	42,974
Changes in Proportion	35,753	16,465
Contributions paid to PERA subsequent to the measurement date	24,696	-
Total	$ 80,553	$ 160,412

The $24,696 reported as deferred outflows of resources related to pensions resulting from ACD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2020	$ (21,157)
2021	(59,276)
2022	(24,755)
2023	633

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.
Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was

completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

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	36	5.10
Private Markets	25	5.90
Fixed Income	20	0.75
International Equity	17	5.90
Cash Equivalents	2	0.00
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates 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 projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the ACD's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the ACD's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the GERF net pension liability:	$ 763,477	$ 464,417	$ 217,484

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 4 – Assigned Fund Balance

The following is a breakdown of the assigned fund balances from the Statement of Net Position.

Capital Equipment Fund	$ 5,588
Computer Fund	671
Compensated Absences	63,303
Easement Endowments	35,065
McKay Maintenance Fund	89,814
Total Assigned	$ 194,441

Note 5 – Stewardship, Compliance and Accountability

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures $1,867,675; Budget $1,818,539; Excess $49,136.

Note 6 – Commitments and Contingencies

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

Note 7 – Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	$	450,459
Plus: Excess of Revenues Over Expenditures		40,939
Governmental Fund Balance, December 31	$	491,398
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	$	597,917
Plus: Deferred Outflows of Resources		80,553
Less: Current Portion of Mortgage Payable		(24,387)
Less: Long-Term Liabilities		(594,101)
Less: Deferred Inflows of Resources		(160,412)
Net Position	$	390,968

Note 8 – Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	$	40,939
Capital Outlay		27,243
Pension Expense, net		(92,290)
Loss on Disposal		(7,600)
Debt Service Principal		23,387
The cost of capital assets are allocated over the capital assets' useful lives at the government-wide level.		(20,660)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		(10,138)
Change in Net Position	$	(39,119)

ANOKA CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	$ 323,748	$ 189,932	$ 225,678	$ 35,746
Regional	31,440	49,275	58,677	9,402
Local	187,863	246,485	266,514	20,029
State Grant	863,750	627,115	660,422	33,307
Total Intergovernmental	$ 1,406,801	$ 1,112,807	$ 1,211,291	$ 98,484
Charges for Services	$ 64,900	$ 85,570	$ 100,600	$ 15,030
Miscellaneous				
Rental Income	$ 49,261	$ 49,261	$ 49,432	$ 171
Product Sales	453,500	518,669	533,198	14,529
Interest Earnings	5,300	15,000	14,093	(907)
Total Miscellaneous	$ 508,061	$ 582,930	$ 596,723	$ 13,793
Total Revenues	$ 1,979,762	$ 1,781,307	$ 1,908,614	$ 127,307
Expenditures				
District Operations				
Personnel Services	$ 844,981	$ 882,147	$ 850,282	$ 31,865
Other Services and Charges	48,450	46,660	45,833	827
Supplies	1,000	1,400	1,504	(104)
Capital Outlay	19,200	-	1,428	(1,428)
Total District Operations	$ 913,631	$ 930,207	$ 899,047	$ 31,160
District Products				
Tree Sales	$ 12,000	$ 14,197	$ 14,197	$ -
Rain Guardian	257,283	293,829	301,148	(7,319)
Total District Products	$ 269,283	$ 308,026	$ 315,345	$ (7,319)
Project Expenditures				
District	$ 71,930	$ 50,776	$ 58,039	$ (7,263)
State	647,372	456,986	522,355	(65,369)
Total Project Expenditures	$ 719,302	$ 507,762	$ 580,394	$ (72,632)
Land Operations				
Debt Service, Principal	$ 9,157	$ 4,296	$ 23,387	$ (19,091)
Debt Service, Interest	53,536	23,388	4,306	19,082
Capital Outlay	-	25,626	25,815	(189)
Property Taxes	2,200	2,110	2,110	-
Property Expenses	17,470	17,124	17,271	(147)
Total Land Operations	$ 82,363	$ 72,544	$ 72,889	$ (345)
Total Expenditures	$ 1,984,579	$ 1,818,539	$ 1,867,675	$ (49,136)
Excess of Revenues Over (Under) Expenditures	$ (4,817)	$ (37,232)	$ 40,939	$ 78,171
Fund Balance - January 1	$ 450,459	$ 450,459	$ 450,459	$ -
Fund Balance - December 31	$ 445,642	$ 413,227	$ 491,398	$ 78,171

Notes are an integral part of the basic financial statements.

ANOKA CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

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	$ 31,999	$ 31,999	$ -	$ 426,653	7.50%
2016	$ 36,069	$ 36,069	$ -	$ 480,917	7.50%
2017	$ 41,285	$ 41,285	$ -	$ 550,461	7.50%
2018	$ 41,949	$ 41,949	$ -	$ 559,320	7.50%
2019	$ 46,884	$ 46,884	$ -	$ 625,127	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, 2019

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	0.0069%	$ 357,594	$ -	$ 357,594	$ 405,820	88.12%	78.19%
2016	0.0069%	$ 560,246	$ 7,327	$ 567,573	$ 448,281	126.61%	68.90%
2017	0.0085%	$ 542,634	$ 6,818	$ 549,452	$ 547,193	100.41%	75.90%
2018	0.0081%	$ 449,355	$ 14,800	$ 464,155	$ 544,707	85.21%	79.50%
2019	0.0084%	$ 464,417	$ 14,333	$ 478,750	$ 592,288	80.83%	80.20%

* 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.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2019 - The mortality project 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 for 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.

Change in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

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

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Anoka Conservation District
Ham Lake, 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 Anoka Conservation District of Ham Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Anoka Conservation District's basic financial statements, and have issued our report thereon dated October 21, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Anoka Conservation District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for 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 the knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Anoka Conservation District's noncompliance with the above referenced provisions.

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
Certified Public Accountants
Waconia, Minnesota

October 21, 2020

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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
Anoka Conservation District
Ham Lake, Minnesota

We have audited, in accordance with the 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 of Anoka Conservation District, Ham Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Anoka Conservation District's basic financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anoka Conservation District's internal control over financial reporting to determine the 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 Anoka Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anoka 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 a 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. We consider the deficiency in internal control as described in the accompanying Schedule of Findings and Responses as item 2019-001 to be a significant deficiency.

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. 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anoka 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 determination of financial statement amounts. 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*.

Anoka Conservation District's Response to Findings

Anoka Conservation District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Anoka Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
Certified Public Accountants
Waconia, Minnesota

October 21, 2020

2019-001 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: Substantially all accounting procedures are performed by one person.

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

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

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

Management Response: The ACD 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.