

2020

Anoka Conservation District
Year-End Financial Report:
Discussion, Statements and Notes



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INTRODUCTION

2020 Anoka Conservation District Year End Financial Report

This report presents Anoka Conservation District's (ACD) financial activity for the year ending December 31, 2020 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 63.8 percent (\$1,158,508 of \$1,792,675) of its revenue from other governmental sources in 2020. 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 9.32 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 decreased by \$25,649 in 2020.
- ACD purchased its office headquarters in 2010. The ACD Board of Supervisors payed off the mortgage in 2020.
- Rents from ACD's office headquarters totaled \$51,298 and associated expenses were \$174,177 resulting in an operating deficit of \$122,880. \$58,216 of the expenditures was for improvements to the property in the form of a storage building, and \$90,768 was to pay off the balance on the mortgage. Both of these amounts increased ACD's assets and net position. These figures do not include \$49,346 in annual rents 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 2020 depreciation of \$17,219, 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 \$11,719.
- 2020 marked the eleventh year of sales of the Rain Guardian pretreatment chambers developed by ACD. The Gross sales were \$505,318 with related direct expenses not including labor of \$275,733 for net revenue of \$229,585.

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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. Because 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 \$506,139, 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 \$481,292 in 2020. The current unassigned fund balance is \$281,273.

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 9.6 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 \$49,346, 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: Net Position and Table 2: Changes in Net Position.

All activities of ACD ultimately benefit conservation and all activities are governmental because 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 increased from \$390,969 to \$506,139 in 2020. 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 \$(206,949) at December 31, 2019 to \$(133,150) at December 31, 2020.

Table 1: Net Position

	Governmental Activities	
	2020	2019
Current Assets	\$1,162,894	\$1,062,787
Capital Assets, net of depreciation	\$639,289	\$597,918
Deferred Outflows of Resources	\$90,297	\$80,553
Combined Assets and Deferred Outflows of Resources	<u>\$1,892,480</u>	<u>\$1,741,258</u>
Current Liabilities	\$697,144	\$595,776
Long-term Liabilities	\$616,549	\$594,101
Deferred Inflows of Resources	\$72,647	\$160,412
Combined Liabilities and Deferred Inflows of Resources	<u>\$1,386,340</u>	<u>\$1,350,289</u>
Investment in Capital Assets	\$639,289	\$597,918
Unrestricted	<u>\$(133,150)</u>	<u>\$(206,949)</u>
Total Net Position	<u>\$506,139</u>	<u>\$390,969</u>

ACD's total revenues decreased by \$115,940 (6.08 percent). The total cost of programs and services decreased by \$270,228 (13.88 percent).

Table 2: Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Intergovernmental	\$1,143,116	\$1,211,291
Charges for Services	\$45,776	\$100,600
Product Sales	\$539,588	\$533,198
Investment Earnings	\$12,897	\$14,093
Rents	\$51,298	\$49,432
Total Revenues	\$1,792,675	\$1,908,614
Expenditures		
Conservation	\$1,652,311	\$1,924,047
Land Operation	\$25,194	\$23,686
Total expenditures	\$1,677,505	\$1,947,733
Increase (Decrease) in Net Position	\$115,170	(\$39,119)

Governmental Activities

The cost of all governmental activities this year excluding land operation was \$1,652,311 compared to \$1,924,047 last year. The amount that our taxpayers ultimately financed for these activities through county taxes was \$212,868. Service contracts with various local government entities generated \$246,090 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 \$539,588; rents \$51,298; investment earnings \$12,897; regional government \$44,055; state government \$634,067; and federal government \$6,036. Overall, ACD's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2020 from \$1,908,614 to \$1,792,675.

ANOKA CONSERVATION DISTRICT'S GENERAL FUND

As ACD completed this year, its general fund reported a fund balance of \$465,750, which is below last year's total of \$491,398. Included in this year's total change in fund balance is a deficit of \$25,649 in ACD's General Fund. The primary reasons for the General Fund's deficit mirror the government activities analysis highlighted on the preceding pages.

CAPITAL ASSET AND LONG-TERM LIABILITIES**Capital Assets**

At the end of 2020, ACD had \$639,289 in capital assets, including equipment, buildings, and land. This amount represents a net increase (including additions, deletions and depreciation) of \$41,371 or 6.92 percent to last year.

Table 3: Capital Assets at Year End

	Governmental Activities	
	2020	2019
Land	\$328,816	\$328,816
Buildings	\$280,437	\$227,777
Equipment	\$30,036	\$41,325
Totals	\$639,289	\$597,918

This year's \$60,838 of additions included \$58,216 for a storage building, \$924 for a Leica NA730 Survey Level, and \$1,698 for a Honda BF 5D outboard motor.

ACD's fiscal-year 2021 capital budget includes \$10,500 for computer server components, a drone, and property enhancements.

Long-Term Liabilities

Long-term obligations include net pension liability and compensated absences.

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.

CONTACT 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:

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FINANCIAL STATEMENTS

ANOKA CONSERVATION DISTRICT, HAM LAKE, MINNESOTA

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Assets</u>	General Fund	Adjustments	Statement of Net Position
Cash and Cash Equivalents	\$ 842,694.68		\$ 842,694.68
Accounts Receivable	\$ 9,832.26		\$ 9,832.26
Due from Other Governments	\$ 251,956.08		\$ 251,956.08
Inventory	\$ 54,589.27		\$ 54,589.27
Prepaid Items	\$ 3,821.86		\$ 3,821.86
Capital Assets:			\$ -
Land (not being depreciated)		\$ 328,815.26	\$ 328,815.26
Building (net of accumulated depreciation)		\$ 280,437.41	\$ 280,437.41
Equipment (net of accumulated depreciation)		\$ 30,035.83	\$ 30,035.83
Total Assets	<u>\$ 1,162,894.15</u>	<u>\$ 639,288.50</u>	<u>\$ 1,802,182.65</u>
Deferred Outflows of Resources			
Defined Benefit Pension Plan		\$ 90,297.00	\$ 90,297.00
Combined Assets and Deferred Outflows of Resources	<u>\$ 1,162,894.15</u>	<u>\$ 729,585.50</u>	<u>\$ 1,892,479.65</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 565.00		\$ 565.00
Accrued Payroll	\$ 41,029.41		\$ 41,029.41
Unearned Revenue	\$ 598,274.99		\$ 598,274.99
Deposits on Sales	\$ 21,453.39		\$ 21,453.39
Easement Endowments	\$ 31,719.10		\$ 31,719.10
Security Deposits	\$ 4,101.50		\$ 4,101.50
Sales Tax Payable	\$ 0.91		\$ 0.91
Mortgage Payable			\$ -
Long-Term Liabilities: (due after one year)			
Net Pension Liability		\$ 551,582.00	\$ 551,582.00
Compensated Absences		\$ 64,967.43	\$ 64,967.43
Mortgages Payable		\$ -	\$ -
Total Liabilities	<u>\$ 697,144.30</u>	<u>\$ 616,549.43</u>	<u>\$ 1,313,693.73</u>
Deferred Inflows of Resources			
Defined Benefit Pension Plan		\$ 72,647.00	\$ 72,647.00
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 697,144.30</u>	<u>\$ 689,196.43</u>	<u>\$ 1,386,340.73</u>
<u>Fund Balance/Net Position</u>			
Fund Balance			
Nonspendable - Inventories	\$ 54,589.27	\$ (54,589.27)	\$ -
Nonspendable - Prepaids	\$ 3,821.86	\$ (3,821.86)	\$ -
Assigned	\$ 126,074.89	\$ (126,074.89)	\$ -
Unassigned	\$ 281,263.83	\$ (281,263.83)	\$ -
Total Fund Balance	<u>\$ 465,749.85</u>	<u>\$ (465,749.85)</u>	<u>\$ -</u>
Net Position			
Investment in Capital Assets		\$ 639,288.50	\$ 639,288.50
Unrestricted		\$ (133,149.58)	\$ (133,149.58)
Total Net Position		<u>\$ 506,138.92</u>	<u>\$ 506,138.92</u>

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, 2020

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 1,143,115.77		\$ 1,143,115.77
Product Sales	\$ 539,587.51		\$ 539,587.51
Charges for Services	\$ 45,776.44		\$ 45,776.44
Interest Earnings	\$ 12,897.48		\$ 12,897.48
Rental Income	\$ 51,297.87		\$ 51,297.87
Total Revenues	\$ 1,792,675.07	\$ -	\$ 1,792,675.07
Expenditures/Expenses			
Land Operation			
Current	\$ 21,791.14		\$ 21,791.14
Capital outlay	\$ 58,215.81	\$ (58,215.81)	\$ -
Debt Service, Interest	\$ 3,402.28		\$ 3,402.28
Debt Service, Principal	\$ 90,768.17	\$ (90,768.17)	\$ -
Conservation			
Current	\$ 1,641,524.24	\$ 10,787.19	\$ 1,652,311.43
Capital outlay	\$ 2,622.00	\$ (2,622.00)	\$ -
Total Expenditures/Expenses	\$ 1,818,323.64	\$ (140,818.79)	\$ 1,677,504.85
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$ (25,648.57)	\$ 140,818.79	\$ 115,170.22
Fund Balance/Net Position January 1	\$ 491,398.42	\$ (100,429.71)	\$ 390,968.71
Change in Accounting Principle	\$ -	\$ -	\$ -
Fund Balance/Net Position December 31	\$ 465,749.85	\$ 40,389.08	\$ 506,138.93

Notes are an integral part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Anoka Conservation District (ACD) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body 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 and is governed by a Board of Supervisors composed of five members elected to four-year terms by the voters of the County.

The purpose of 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 habitat.

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

Each fiscal year ACD develops a work plan that 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 to follow in order to achieve ACD's objectives.

ACD is not considered a part of Anoka County because, even though the County provides a portion of ACD's revenue in the form of an appropriation, it does not retain any control over the operations of ACD.

GAAP require that ACD's financial statements include all funds, departments, agencies, boards, commissions, and other organizations that are not legally separate from ACD. In addition, ACD's financial statements are to include all component units – entities for which ACD is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization.

Basic Financial Statements

ACD meets the definition of a Special-Purpose government and is involved in only one program. i.e., conservation of soil and water resources. Accordingly, ACD is allowed to combine its government-wide statements with the fund statements.

The government-wide financial statements (i.e. The Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements including all financial activities of ACD.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

operational or capital requirements of a particular function or segment. Certain items not properly included among program revenues are reported instead as miscellaneous revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, or fiduciary. Currently, ACD has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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. Charges for services revenue is recorded when earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 measurable and available. Revenues are considered measurable when the amount of the transaction can be determined. 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. County and local grant revenue is generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applied according to MN Statutes and GAAP. MN Statutes include state aid funding formulas for specific fiscal years. Investment earnings are recorded when earned because they are measurable and available. Miscellaneous revenues (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements in advance of the year in which the item is to be used.

ACD reports the following major governmental funds:

General Fund – This is ACD's primary operating fund. It accounts for all financial resources of the general government.

Budget Information

ACD adopts an estimated revenue and expenditure budget for the general fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the required supplementary information (RSI) in accordance with generally accepted accounting principles. Amendments to the original budget require Board approval. Appropriations lapse at year-end. 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 that 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.

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

Assets, Liabilities, and Net Position

Assets

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

Accounts receivable are expected to be collected within one year.

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

Inventory value is stated at the lesser of cost or 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. The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful life of machinery and equipment is 4 to 10 years and buildings are 50 years. ACD uses a threshold of \$500 for capitalizing assets purchased.

Deferred Outflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. ACD has one type of deferred outflow, which is pension related.

Liabilities

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.

Compensated Absences

Under ACD's personnel policies, employees are granted flexible time off in varying amounts based on their length of service. Only benefits considered to be vested are disclosed in these statements.

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

Payments for flexible time off will be made at rates in effect when benefits are used. Accumulated flexible time off at December 31, 2020 are determined on the basis of current salary rates and include salary related payments.

Pensions

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

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. ACD has one type of deferred inflow, which is pension related.

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.

Classifications of Fund Balances

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

Non-spendable – the non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 is 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 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 District Manager 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.

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 unrestricted fund balance classifications could be used.

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 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 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 and Net Pension Liability ACD has as of the report date. See note on Long-Term Liabilities.

Depreciation, Net Pension Expense and Change in Compensated Absences for the Year

In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment for Current Conservation is the sum of asset subtractions, total depreciation, net pension expense, PERA support payment by the State of MN (if not already received to the General Fund), and the change in compensated absences between the reporting year and the previous year.

Fund Balance/Net Position January 1

In the Statement of Activities and Fund Government Revenues, Expenditures and Changes in Fund Balance the January 1 Fund Balance adjustment equals the prior year deferred outflows plus capital beginning net book value, less mortgage beginning book value, beginning compensated absences, net pension liability, and prior year deferred inflows.

Subsequent Events

In preparing these financial statements, ACD has evaluated events and transactions for potential recognition or disclosure through September 17, 2021, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize ACD to designate a depository for public funds and invest in certificates of deposit. Minnesota Statute 118A.03 requires 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, ACD's deposits may not be returned to it. 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. ACD has no additional deposit policies addressing custodial credit risk. As of December 31, 2020, ACD's deposits were not exposed to custodial credit risk.

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 was as follows:

Cost	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$113,260	\$2,622	\$5,528	\$110,354
Land	328,815	0	0	328,815
Buildings	277,777	58,216	0	335,993
Total Assets	<u>\$719,852</u>	<u>\$60,838</u>	<u>\$5,528</u>	<u>\$775,162</u>
Accumulated Depreciation				
Equipment	\$71,934	\$11,663	\$3,280	\$80,317
Buildings	50,001	5,556	0	55,556
Total	<u>\$121,935</u>	<u>\$17,219</u>	<u>\$3,280</u>	<u>\$135,873</u>
Equipment-net	\$41,326			\$30,036
Buildings & Land-net	\$556,591			\$609,253
Net Capital Assets	<u>\$597,917</u>			<u>\$639,289</u>

Current year depreciation is \$17,219.

NOTE 4 – UNEARNED REVENUE

Unearned revenue represents unearned advances from several local and state entities including but not limited to the MN 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, 2020 consists of the following:

State

2018 BWSR CWF Mississippi Bank Stabilization	\$57,907.60
2019 BWSR District Capacity Funds	29,988.50
2019 BWSR CWF Watershed Based Implementation	49,631.70
2020 BWSR Buffer Implementation	8,001.67
2020 MPCA SSTS Funds	16,384.53
2020 BWSR CWMA	8,091.17
2020 BWSR State Cost Share (unencumbered)	11,107.00
2020 BWSR CWF Sunrise Carp Mgmt	54,630.25
2020 BWSR District Capacity Funds	40,012.04
2020 BWSR CWF Well Sealing	103,118.15
2020 Area IV Training Grant	3,478.85
2021 BWSR State Cost Share (unencumbered)	11,107.00
2021 BWSR Conservation Delivery	20,765.00
2021 BWSR Local Water Plan Implementation	8,094.00
2021 BWSR SSTS Cost Share	25,447.00
2021 BWSR WCA Funds	63,191.00
2021 DNR Shoreland Funds	2,615.00
2021 MPCA SSTS Funds	18,600.00
Subtotal of state funds:	<u>\$532,170.46</u>

Other Government

Anoka County – District Capacity Match	\$7,846.97
LRRWMO Cost Share	7,449.76

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

LRRWMO Biomonitoring	900.00
Video Production Deposits	1,701.70
URRWMO Project Match	15,366.00
SRWMO 2018 WBF Project Match	443.87
SRWMO 2019 WBF Project Match	6,589.00
SRWMO 2021 Project Tour	1,590.00
SRWMO Cost Share	2,420.67
SRWMO Carp Mgmt	2,656.05
Subtotal of state funds:	\$46,964.02

Non-Government Organizations

National Wild Turkey Federation	\$13,640.51
Engineering Project Deposit	2,000.00
Martin Lake Assoc. Carp Mgmt	3,500.00
Subtotal of other funds:	\$19,140.51

TOTAL OF ALL UNEARNED REVENUE:	\$598,274.99
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NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in ACD’s long-term liabilities for the year ended December 31, 2020:

	<u>Jan. 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2020</u>
Net Pension Liability	\$464,417	\$87,165	\$0	\$551,582
Compensated Absences	63,303	1,664	0	64,967
Mortgage Payable	90,768	0	90,768	0
Total	\$618,488	\$88,829	\$90,768	\$616,549

Flexible Time Off

Under 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 ACD in good standing, employees are paid accrued FTO up to 240 hours. EMB is not paid out upon separation.

Compensated Absences Payable

The amount of the estimated obligation at December 31, 2020 is \$64,967. ACD’s General Fund finances compensated absences on a pay-as-you-go basis.

NOTE 6 – RISK MANAGEMENT

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, workers’ compensation, and errors and omissions are insured through the League of MN Cities Insurance Trust. 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. There were no significant

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

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 7 – DEFINED BENEFIT PENSION PLANS

Plan Description

ACD participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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 Statute 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 2020 and ACD was required to contribute 7.50 percent for Coordinated Plan members. ACD's contributions to the General Employees Fund for the year ended December 31, 2020, were \$49,871. ACD's contributions were equal to the required contributions for each year as set by state statute.

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

Pension Costs

At December 31, 2020, ACD reported a liability of \$551,582 for its proportionate share of the General Employees Fund's net pension liability. ACD's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with ACD totaled \$16,859. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. ACD's proportionate share was .0092 percent at the end of the measurement period and .0084 percent for the beginning of the period.

ACD's proportionate share of net pension liability	\$551,582
State of Minnesota's proportionate share of net pension liability associated with ACD	16,859
Total	\$568,441

For the year ended December 31, 2020, ACD recognized pension expense credit of \$10,344 for its proportionate share of General Employees Plan's pension expense. ACD recognized an additional \$1,467 as pension expense (and state revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, ACD reported its proportionate share of 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
Difference between expected and actual economic experience	\$5,302	\$2,149
Change in actuarial assumptions	0	62,266
Difference between projected and actual investment earnings	17,359	0
Change in Proportion	42,022	8,232
Contributions paid to PERA subsequent to the measurement date	25,614	0
Total	\$90,297	\$72,647

The \$25,614 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, 2021. 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
2021	(38,486)
2022	(3,965)
2023	21,423
2024	13,064

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

NOTE 8 – ASSIGNED FUND BALANCE

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

Capital Equipment Fund	\$4,623.81
Computer Fund	1,428.00
Vehicle Fund	0.00
Compensated Absences	64,967.43
Easement Endowments	31,719.10
McKay Maintenance Fund	23,336.55
Total Assigned	<u>\$126,074.89</u>

NOTE 9 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. Each fall, the Board of Supervisors adopts an annual budget for the following year for the General fund. Modifications thereto can be made upon action of the Board of Supervisors. 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 the budget for the year ended December 31, 2020 as follows: Expenditures \$1,833,716; Budget \$1,818,572; Exceedance \$15,143.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

NOTE 11 – RISK AND UNCERTAINTY

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern.” During 2020, the stock market was unpredictable and interest rates decreased. The economy is still managing, but future economic conditions are unknown. For fiscal year 2020, COVID-19 had little effect on ACD, but the extent to which COVID-19 may impact ACD’s future financial condition or results of its operation is uncertain.

NOTE 12 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1, 2020	\$491,398.42
Plus: Excess of Revenue Over Expenditures	<u>(25,648.57)</u>
Governmental Fund Balance, December 31, 2020	<u>\$465,749.85</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$639,288.50
Plus: Deferred Outflows of Resources	90,297.00
Less: Long-Term Liabilities	(616,549.43)
Less: Deferred Inflows of Resources	<u>(72,647.00)</u>
Adjustment From Fund Balance to Net Position	<u>\$40,389.07</u>
Governmental Fund Balance, December 31, 2020	\$465,749.85
Adjustment From Fund Balance to Net Position	<u>40,389.07</u>
Net Position	<u>\$506,138.92</u>

NOTE 13 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in fund balance	(\$25,648.57)
Capital Outlay	60,837.81
Debt Service, Principal	90,768.17
Asset Subtraction	(2,248.00)

Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued

Pension Expense, net	10,344.00
Depreciation ¹	(17,218.78)
Change in Compensated Absences ²	<u>(1,664.41)</u>
Change in Net Position	<u><u>(\$8,539.19)</u></u>

NOTE 14 – DUES

In 2020, ACD paid membership dues as follows:

League of Minnesota Cities Insurance Trust	\$1975.00
National Assoc. of Conservation Districts	501.00
MN Association of Conservation Districts	5099.03
Metro Area Association of Conservation Districts	300.00
Metro Conservation Districts	287.50
Resource Training and Solutions	<u>105.00</u>
Total	<u><u>\$8,267.53</u></u>

NOTE 15 – COUNTY CONTRIBUTION

2020 Breakdown of County Revenue

General Service Allocation	\$148,992.00
Buffer Law Implementation	10,000.00
Ag. Preserves	18,496.00
District Capacity Match	21,118.51
Rum River Stabilization	<u>14,261.50</u>
Total	<u><u>\$212,868.01</u></u>

Other "non-cash" county support that does not show up anywhere on the annual report.

- Legal and administrative services. Insurance (liability, automobile and workers' comp.)
- Vehicles – Including 3 trucks valued at \$37,569 per Kelley Blue Book sale to private party.

NOTE 16 - PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

Five elected Supervisors are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two

¹ The costs of capital assets are allocated over the capital assets' useful lives at the government-wide level.

² In the statement of activities, certain operating expenses including compensated absences are measured by the amounts earned.

**Anoka Conservation District
Notes to the Financial Statements - December 31, 2020 Continued**

percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the ACD during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$176	\$176	5%	5%	5%

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REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule, Budget and Actual, General Fund

ANOKA CONSERVATION DISTRICT, HAM LAKE, MINNESOTA

BUDGETARY COMPARISON SCHEDULE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues				
Intergovernmental				
County	\$ 326,932.00	\$ 212,093.45	\$ 212,868.01	\$ 774.56
Regional	\$ 38,440.00	\$ 57,108.92	\$ 44,054.68	\$ (13,054.24)
Local Governments	\$ 190,476.75	\$ 205,071.28	\$ 246,089.53	\$ 41,018.25
State Grant	\$ 627,998.00	\$ 640,579.74	\$ 634,067.34	\$ (6,512.40)
Federal	\$ -	\$ 6,036.21	\$ 6,036.21	\$ -
Total Intergovernmental	<u>\$ 1,183,846.75</u>	<u>\$ 1,120,889.60</u>	<u>\$ 1,143,115.77</u>	<u>\$ 22,226.17</u>
Charges for Services	<u>\$ 34,700.00</u>	<u>\$ 44,617.70</u>	<u>\$ 45,776.44</u>	<u>\$ 1,158.74</u>
Miscellaneous				
Rental Income	\$ 49,487.28	\$ 51,713.04	\$ 51,297.87	\$ (415.17)
Product Sales	\$ 617,050.00	\$ 537,861.50	\$ 539,587.51	\$ 1,726.01
Interest Earnings	\$ 10,000.00	\$ 13,187.00	\$ 12,897.48	\$ (289.52)
Total Miscellaneous	<u>\$ 676,537.28</u>	<u>\$ 602,761.54</u>	<u>\$ 603,782.86</u>	<u>\$ 1,021.32</u>
Total Revenues	<u>\$ 1,895,084.03</u>	<u>\$ 1,768,268.84</u>	<u>\$ 1,792,675.07</u>	<u>\$ 24,406.23</u>
Expenditures				
District Operations				
Personnel Services	\$ 926,670.33	\$ 912,177.48	\$ 916,843.58	\$ (4,666.10)
Other Services and Charges	\$ 50,300.00	\$ 41,289.00	\$ 42,484.75	\$ (1,195.75)
Supplies	\$ 600.00	\$ 600.00	\$ 632.83	\$ (32.83)
Capital Outlay	\$ 17,000.00	\$ 2,352.00	\$ 2,622.00	\$ (270.00)
Total District Operations	<u>\$ 994,570.33</u>	<u>\$ 956,418.48</u>	<u>\$ 962,583.16</u>	<u>\$ (6,164.68)</u>
District Products				
Trees Sale	\$ 12,000.00	\$ 15,801.32	\$ 15,801.32	\$ -
Rain Guardian	\$ 338,762.00	\$ 259,570.51	\$ 269,106.16	\$ (9,535.65)
Total Product Expenditures	<u>\$ 350,762.00</u>	<u>\$ 275,371.83</u>	<u>\$ 284,907.48</u>	<u>\$ (9,535.65)</u>
Project Expenditures				
District	\$ 177,375.10	\$ 41,390.79	\$ 39,665.56	\$ 1,725.23
State	\$ 309,427.50	\$ 372,517.07	\$ 356,990.04	\$ 15,527.03
Total Project Expenditures	<u>\$ 486,802.60</u>	<u>\$ 413,907.85</u>	<u>\$ 396,655.60</u>	<u>\$ 17,252.25</u>
Land Operations				
Debt Service, Interest	\$ 6,000.00	\$ 3,351.69	\$ 3,402.28	\$ (50.59)
Debt Service, Principal	\$ 21,684.00	\$ 90,713.31	\$ 90,768.17	\$ (54.86)
Property Taxes	\$ 1,950.00	\$ 2,313.00	\$ 2,313.39	\$ (0.39)
Property Capital Outlay	\$ -	\$ 58,215.81	\$ 58,215.81	\$ -
Property Expenses	\$ 52,390.00	\$ 18,280.50	\$ 19,477.75	\$ (1,197.25)
Total Land Operations	<u>\$ 82,024.00</u>	<u>\$ 172,874.31</u>	<u>\$ 174,177.40</u>	<u>\$ (1,303.09)</u>
Total Expenditures	<u>\$ 1,914,158.93</u>	<u>\$ 1,818,572.47</u>	<u>\$ 1,818,323.64</u>	<u>\$ 248.83</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (19,074.90)	\$ (50,303.63)	\$ (25,648.57)	\$ 24,655.06
Fund Balance - January 1	\$ 491,398.42	\$ 491,398.42	\$ 491,398.42	\$ -
Fund Balance - December 31	<u>\$ 472,323.52</u>	<u>\$ 441,094.79</u>	<u>\$ 465,749.85</u>	<u>\$ 24,655.06</u>

**Anoka Conservation District
Required Supplementary Information - December 31, 2020 Continued**

Pension Liability Calculations

PERA Schedule of Contributions and Proportionate Share of Net Pension Liability

**Schedule of Contributions
General Employees Retirement Fund
December 31, 2020**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee 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%
2020	\$ 49,871	\$ 49,871	\$ -	\$ 664,946	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 fiscal year were determined June 30 of the previous year.

**Schedule of Proportionate Share of Net Pension Liability
General Employees Retirement Fund
December 31, 2020**

Fiscal Year Ending	Employer's Proportion of the 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 ACD (b)	Total (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its 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	\$ 544,697	85.21%	79.50%
2019	0.0084%	\$ 464,417	\$ 14,333	\$ 478,750	\$ 592,288	80.83%	80.20%
2020	0.0092%	\$ 551,582	\$ 16,859	\$ 568,441	\$ 652,710	87.09%	79.10%

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

See Independent Auditor's Report

Notes are an integral part of the required supplementary information.

NOTES TO THE REQUIRE SUPPLEMENTARY INFORMATION

RSI NOTE 1 – BUDGET ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the Board of Supervisors revised ACD's budget several times. Budget amendments fall into one of four categories: updating contract amounts with local funding partners, addition of grant awards, updates to personnel due to staff turnover and mid-year changes in compensation rates, and updates to pass through funds based on project installation schedule updates.

ACD's budget is composed primarily of competitive grants and service fees. Of the \$1,808,067 in 2020 revenue, \$187,757 is relatively stable (\$166,992 in county general services and \$20,765 in state conservation delivery). Revenues derived from grants and fees for service are very speculative. As such, ACD's budget is highly elastic and subject to potentially dramatic changes in district operations, so it is critical for the Board of Supervisors to continually review and update the budget. Late year budget updates reduce the variances from actual revenues and expenditures.

In total, there was a \$39,798 revenue variance, which is 2.2 percent of budgeted revenues. \$38,777 of this variance is due to several projects advancing further than anticipated, which affected revenues from state, regional, and local governments, as well as from landowners.

In total, there was a (\$15,143) expenditure variance. Expenditure variances of (\$20,058) in Personnel Services, (\$9,536) in Product Sales, and (\$1,303) in Land Operations, were offset in part by a \$17,252 in Project Expenditures.

Economic Factors and Next Year's Budgets and Rates

ACD's board of supervisors has opted to utilize the United States Office of Personnel Management's general pay schedule for the locality pay area of Minneapolis-St. Paul-St. Cloud, MN-WI as a means to determine annual inflation rates. These rates are considered in conjunction with ACD's compensation plan detailed in the personnel section of the ACD Handbook, specifically the sections on target wage, compensations increases, and performance adjustments. Wages are ultimately set by the board of supervisors with consideration of these wage-setting policies along with funds available for wage adjustments once fund balance goals have been attained. ACD's policy on fund balances and wage adjustment consideration is explained in the operations section of the ACD Handbook, which is reviewed, updated and approved annually. Staff wages are the primary driver of program expenses and therefore the budgeting process for all programs, services and grants. When setting the budget and fees that will be charged for services, the board of supervisors considers total personnel expenses including wages, benefits, and operational overhead and divides that total only across billable hours. By dividing total expenses only across actual billable hours, ACD is better able to generate sufficient revenue to balance the budget. This is critical for ACD since we do not have taxing authority to fill budget shortfalls.

RSI NOTE 2 – PENSION LIABILITY ANALYSIS

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using and 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

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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 General Employees Plan.

Actuarial assumptions used in the June 30, 2020, 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. The assumption changes were adopted by the Board and became effective July 1 2020.

The following changes in actuarial assumptions occurred:

Changes in Actual Assumptions

- 2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- 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

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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.

Changes in Plan Provisions

- 2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.
- 2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.
- 2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- 2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.
- 2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Domestic Stocks	35.5	5.10
International Stocks	17.5	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash Equivalents	2.0	0.00

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Total 100%

Discount Rate

The discount rate used to measure the total pension liability in 2020 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 periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents 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 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%)
ACD's proportionate share of the GERF net pension liability:	\$883,995	\$551,582	\$277,368

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 at www.mnpera.org.