ANOKA CONSERVATION DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
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ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
ORGANIZATION
DECEMBER 31, 2022

TITLE	NAME	TERM EXPIRES
Chair	Mary Jo Truchon	12/31/2024
Vice-Chair	Jim Lindahl	12/31/2026
Treasurer	Glenda Meixell	12/31/2026
Secretary	Sharon LeMay	12/31/2024
Member	Colleen Werdien	12/31/2024

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Anoka Conservation District
Ham Lake, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the General Fund of Anoka Conservation District, as of and for the year ended December 31, 2022, 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.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anoka Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Anoka Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anoka Conservation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8, the budgetary comparison schedule on page 24, the defined benefit pension plan schedules on page 25, and the notes to the required supplementary information on pages 26-28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information. The other information comprises the organization information under the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and make sure there is nothing materially misstated.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anoka Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 16, 2023

This report presents Anoka Conservation District's (ACD) financial activity for the year ending December 31, 2022 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 65 percent ($1,685,623 of $2,603,877) of its revenue from other governmental sources in 2022. 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 6 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 $3,347 in 2022.
- Rents from ACD's office headquarters totaled $60,766 and associated expenses were $29,501 resulting in an operating surplus of $31,264. These figures do not include $51,549 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 2022 depreciation of $17,389, of which $6,930 was for depreciation of the buildings at the office headquarters on McKay Drive in Ham Lake.
- 2022 marked the thirteenth year of sales of the Rain Guardian pretreatment chambers developed by ACD. Gross sales were $760,568 with related direct expenses not including labor of $508,228 for net revenue of $252,340.
- Due to inflation, the market value of Certificates of Deposit is lower than the purchase price. Were ACD in need of liquidating CDs prior to their maturity, this loss would be realized. To account for this, an adjustment of ($10,193) has been incorporated into the General Fund Assets on the Statement of Net Position, Interest Earnings on the Statement of Activities, and as Unrealized Investment Loss on the Budgetary Comparison.

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 services 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 $696,682, however much of this value is tied to the value of the land and buildings 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 $601,165 in 2022. The current unassigned fund balance is $297,508.

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 added land operation as a function of ACD. As a percentage of District operations, it remains small at 1 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 $51,549, 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 decreased from $713,736 to $696,682 in 2022. 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 $73,233 at December 31, 2021 to $35,679 at December 31, 2022.

Table 1: Net Position

	Governmental Activities 2022	2021
Current Assets	$1,584,793	$1,654,842
Capital Assets, net of depreciation	661,003	640,503
Deferred Outflows of Resources	286,117	328,583
Combined Assets and Deferred Outflows of Resources	$2,531,913	$2,623,928
Current Liabilities	$947,525	$1,020,921
Long-term Liabilities	876,650	483,820
Deferred Inflows of Resources	11,056	405,451
Combined Liabilities and Deferred Inflows of Resources	$1,835,231	$1,910,192
Investment in Capital Assets	661,003	640,503
Unrestricted	35,679	73,233
Total Net Position	$696,682	$713,736

ACD's total revenues increased by $487,569 (23 percent). The total cost of programs and services increased by $712,220 (37.3 percent).

Table 2: Changes in Net Position

	Governmental Activities 2022	2021
Revenues		
Intergovernmental	$1,685,623	$1,209,273
Charges for Services	105,142	223,350
Product Sales	760,568	631,502
Investment Earnings	(8,222)	1,158
Rents	60,766	51,025
Total Revenues	$2,603,877	$2,116,308
Expenditures		
Conservation	$2,591,430	$1,868,853
Land Operation	29,501	39,858
Total expenditures	$2,620,931	$1,908,711
Increase (Decrease) in Net Position	($17,054)	$207,597

Governmental Activities

The cost of all governmental activities this year excluding land operation was $2,591,430 compared to $1,868,853 last year. The amount that our taxpayers ultimately financed for these activities through county taxes was $269,902. Service contracts with various local government entities generated $197,834 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 $760,568; rents $60,766; regional government $39,577; and state government $1,178,310. Overall, ACD's governmental program revenues, including intergovernmental aid and fees for services, increased in 2022 from $1,209,273 to $1,685,623.

ANOKA CONSERVATION DISTRICT'S GENERAL FUND

As ACD completed this year, its general fund reported a fund balance of $637,268, which is above last year's total of $633,921. Included in this year's total change in fund balance is a surplus of $3,347 in ACD's General Fund. The primary reason 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 2022, ACD had $661,003 in capital assets, including equipment, buildings, and land. This amount represents a net increase (including additions, deletions and depreciation) of $20,500 or 3.2 percent to last year.

Table 3: Capital Assets at Year End

	Governmental Activities	
	2022	**2021**
Land	$328,815	$328,815
Buildings	277,277	284,205
Equipment	54,911	27,483
Totals	**$661,003**	**$640,503**

This year's $38,585 of additions included $8,030 for a 2016 Chevy Cruz, $8,455 for a 2010 Chevy Equinox, $701 for a laptop computer, $13,399 for Rain Guardian concrete forms, and $8,000 for an MPD Infiltrometer kit.

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 5 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:

Anoka Conservation District
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ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash and Cash Equivalents	$ 1,127,166	$ -	$ 1,127,166
Accounts Receivables	27,324	-	27,324
Due from Other Governments	290,395	-	290,395
Inventory	130,526	-	130,526
Prepaid Expenses	9,382	-	9,382
Capital Assets:			
Property & Equipment, net	-	661,003	661,003
Total Assets	1,584,793	661,003	2,245,796
DEFERRED OUTFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	286,117	286,117
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,584,793	$ 947,120	$ 2,531,913
LIABILITIES			
Current Liabilities:			
Accrued Wages	$ 41,289	$ -	$ 41,289
Deposits on Sales	18,304	-	18,304
Easement Endowments	31,719	-	31,719
Landowner Project Deposits	4,337	-	4,337
Security Deposits	4,065	-	4,065
Unearned Revenue	847,811	-	847,811
Total Current Liabilities	947,525	-	947,525
Long-term Liabilities:			
Net Pension Liability	-	799,923	799,923
Compensated Absences	-	76,727	76,727
Total Long-Term Liabilities	-	876,650	876,650
DEFERRED INFLOWS OF RESOURCES			
Defined Benefit Pension Plan	-	11,056	11,056
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 947,525	$ 887,706	$ 1,835,231
FUND BALANCE/NET POSITION			
Fund Balance:			
Nonspendable - Inventory	$ 130,526	$ (130,526)	$ -
Nonspendable - Prepaid Expenses	9,382	(9,382)	-
Assigned	229,181	(229,181)	-
Unassigned	268,179	(268,179)	-
Total Fund Balance	$ 637,268	$ (637,268)	$ -
Net Position:			
Investments in Capital Assets		$ 661,003	$ 661,003
Unrestricted		35,679	35,679
Total Net Position		$ 696,682	$ 696,682

See accompanying Notes to the Financial Statements.

ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	General Fund	Adjustments	Governmental Activities
REVENUES			
Intergovernmental	$ 1,685,623	$ -	$ 1,685,623
Charges for Services	105,142	-	105,142
Unrealized Loss on Investments	(8,222)	-	(8,222)
Product Sales	760,568	-	760,568
Rental Income	60,766	-	60,766
Total Revenues	2,603,877	-	2,603,877
EXPENDITURES/EXPENSES			
Land Operations:			
Current	29,501	-	29,501
Conservation:			
Current	2,532,444	58,986	2,591,430
Capital Outlay	38,585	(38,585)	-
Total Expenditures/Expenses	2,600,530	20,401	2,620,931
Excess of Revenues Over/Under Expenditures	3,347	(20,401)	(17,054)
Fund Balance/Net Position - Beginning of Year	633,921	79,815	713,736
FUND BALANCE/NET POSITION - END OF YEAR	$ 637,268	$ 59,414	$ 696,682

See accompanying Notes to the Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Anoka Conservation District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The significant accounting policies used by the District are discussed below.

Financial Reporting Entity

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

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

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

Basic Financial Statements

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The District considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources, when applicable.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

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 District reports investments at fair value in the financial statements. In accordance with the provisions of GASB No. 31, the District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

Accounts Receivables and Due from Other Governments

Receivables are collectible within one year. The financial statements contain no allowance for uncollectible accounts. Uncollectible accounts due for receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

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

Inventory

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

Prepaid Expenses

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

Capital Assets

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 for Machinery and Equipment is 4 to 10 years, Vehicles are 5 years, and Buildings and Improvements are 25 to 50 years. The District uses the threshold of $500 for capitalizing assets purchased.

Unearned Revenue

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

Compensated Absences

Under the District'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 governmental funds only if they have matured, for example, as a result of employee resignations or retirements, and are payable with expendable available resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Compensated Absences (Continued)

Payments for flexible time off will be made at rates in effect when the benefits are used. Accumulated flexible time off at December 31, 2022 is determined on the basis of current salary rates and include salary related payments.

Pensions

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

Deferred Outflows of Resources

The financial statements for the District contain deferred outflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one type of deferred outflow which is pension related.

Deferred Inflows of Resources

The financial statements for the District contain deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow which is pension related.

Fund Balance

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide statement of net position. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position is the residual classification for the Governmental Activities Fund and includes all spendable amounts not contained in the other classifications.

Use of Estimates

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

Explanation of Adjustments Column in Statements

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

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 the District has as of the report date. See Note 5 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 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.

Change in Accounting Principle

Effective January 1, 2022, the District adopted GASB 87, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The District has no leases that would need to be reported under this new accounting standard.

NOTE 2 – DEPOSITS

Minnesota Statutes §§118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in Certificates of Deposit.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statute §118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of U.S. government agency; general obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of December 31, 2022, the District's deposits were not exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022, was as follows:

	Beginning	Addition	Deletion	Ending
Cost				
Equipment	$ 119,608	$ 38,585	$ 696	$ 157,497
Buildings	346,482	-	-	346,482
Land	328,815	-	-	328,815
Total	794,905	38,585	696	832,794
Accumulated Depreciation				
Equipment	92,125	10,459	-	102,584
Buildings	62,277	6,930	-	69,207
Total	154,402	17,389	-	171,791
Equipment - net	27,483			54,913
Buildings & Land - net	613,020			606,090
Net Capital Assets	$ 640,503			$ 661,003

Current year depreciation is $17,389.

NOTE 4 – UNEARNED REVENUE

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR), the Minnesota Department of Natural Resources (MNDNR), the Minnesota 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, 2022, consisted of the following:

State	
2020 BWSR CWF Well Sealing	27,843
Habitat Improvement	6,307
2021 Sunrise Chain of Lakes	2,000
2021 BWSR Buffer Implementation	2,482
2021 Rum River Stabilization	206,554
2022 MPCA SSTS Admin Funds	10,450
2022 CWMA	8,967
2022 District Capacity	27,330
2022 Buffer Law	8,500
2023 SSTS McQuary	20,376
2023 SSTS	11,735
2023 LWP	8,094
2023 Shoreland	2,615
2023 WCA	63,191
2023 Conservation Delivery	20,765
2023 Cost Share	6,022
2023 Rum Metro WBIF	179,489
District Capacity County Match	8,486
2023 SSTS Admin	18,026
Subtotal of state funds:	639,232
Other Government	
LRRWMO Cost Share	3,449
Video Production Deposits	1,702
URRWMO Project Match	15,366
SRWMO Cost Share	4,524
2021 Rum Metro WBIF Admin	503
2021 Rum Metro WBIF Subwaters	7,553
2021 AWROC	1,053
2021 MME WBIF	28,024
2021 Rum Metro	87,072
2022 Rum WBIF Match	11,958
2022 TBD Match	3,801
2022 WBIF WROC Match	3,290
2022 CARP Management	5,025
2022 Riverbank Stab. Match	7,500
2022 Rum WBIF Match	13,925
2022 TBD Match	764
2022 Lakeshore CS Lake Grps	7,570
2021 Rum WBIF - Admin	5,500
Subtotal of other government funds	208,579
Total Unearned Revenue	$847,811

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended December 31, 2022:

	January 1, 2022	Increases	Decreases	December 31, 2022
Net Pension Liability	$ 409,963	$ 389,960	$ -	$ 799,923
Compensated Absences	73,857	2,870	-	76,727
Total	$ 483,820	$ 392,830	$ -	$ 876,650

Flexible Time Off

Under the District'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 District and 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, 2022 was $76,727. The District's General Fund finances compensated absences when employees terminate their employment from the District.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; workers' compensation claims; or natural disasters. To cover these risks, Anoka County, on behalf of the District, has purchased commercial insurance. The District has entered into an agreement with the League of Minnesota Cities Insurance Trust (LMCIT) to cover its liabilities for workers compensation and property and casualty. There were no significant reductions of insurance coverage from the prior year. There have been no settlements in excess of the District's insurance coverage for any of the past three years.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans 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 District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2022, were $60,817. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2022, the District reported a liability of $799,923 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $23,460.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0101 percent at the end of the measurement period and .0096 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	799,923
State of Minnesota's proportionate share of the net pension liability associated with the District		23,460
Total	$	823,383

For the year ended December 31, 2022, the District recognized pension expense of $38,031 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,505 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, 2022, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 7,012	$ 8,092
Changes in actuarial assumptions	183,009	2,964
Net collective difference between projected and actual investment earnings	19,165	-
Changes in proportion	44,227	-
Contributions paid to PERA subsequent to the measurement date	32,704	-
Total	$ 286,117	$ 11,056

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The $32,704 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount	
2023	$	95,483
2024		87,125
2025		(12,529)
2026		72,278

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Domestic Equity	33.5	5.10
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
District's proportionate share of the GERF net pension liability:	$ 1,263,521	$ 799,923	$ 419,702

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – ASSIGNED FUNDS

The following is a breakdown of the assigned fund balances:

Vehicle Fund	$	2,495
Compensated Absences		76,727
Easement Endowments		36,056
McKay Maintenance		24,992
Employee Gear		911
Rum Bank Stabilization		88,000
Total	$	229,181

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 10 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1	$	633,921
Plus: Excess of Revenues Over Expenditures		3,347
Governmental Fund Balance, December 31	$	637,268
Adjustments from Fund Balance to Net Position:		
Plus: Capital Assets	$	661,003
Plus: Deferred Outflows of Resources		286,117
Less: Long-Term Liabilities		(876,650)
Less: Deferred Inflows of Resources		(11,056)
Net Position	$	696,682

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

Change in Fund Balance	$	3,347
Capital Outlay		38,585
Loss on Asset		(696)
Pension Expense, net		(38,031)
The cost of capital assets are allocated over the capital assets' useful life at the government-wide level.		(17,389)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.		(2,870)
Change in Net Position	$	(17,054)

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure through October 16, 2023, the date the financial statements were available to be issued.

ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Original/ Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental:			
County	$ 305,192	$ 269,902	$ (35,290)
Local	201,485	197,834	(3,651)
Regional	28,000	39,577	11,577
State Grants	1,284,337	1,178,310	(106,027)
Total Intergovernmental	1,819,014	1,685,623	(133,391)
Charges for Services	31,435	105,142	73,707
Unrealized Loss on Investments	3,000	(8,222)	(11,222)
Product Sales	822,050	760,568	(61,482)
Rental Income	59,842	60,766	924
Total Revenues	2,735,341	2,603,877	(131,464)
EXPENDITURES			
District Operations:			
Personnel Services	1,096,010	1,107,071	(11,061)
Other Services and Charges	47,366	54,735	(7,369)
Supplies	1,500	1,939	(439)
Capital Outlay	8,380	38,585	(30,205)
Total District Operations	1,153,256	1,202,330	(49,074)
District Products:			-
Tree Sales	16,000	24,212	(8,212)
Rain Guardian	531,901	508,228	23,673
Total District Products	547,901	532,440	15,461
Land Operations:			
Property Taxes	4,200	2,604	1,596
Property Expenses	29,325	26,897	2,428
Total Land Operations	33,525	29,501	4,024
Project Expenditures:			
District	97,538	75,263	22,275
State	877,845	760,996	116,849
Total Project Expenditures	975,383	836,259	139,124
Total Expenditures	2,710,065	2,600,530	109,535
Excess of Revenues Over/Under Expenditures	25,276	3,347	(21,929)
Fund Balance - Beginning of Year	633,921	633,921	-
FUND BALANCE - END OF YEAR	$ 659,197	$ 637,268	$ (21,929)

See accompanying Notes to the Required Supplementary Information.

ANOKA CONSERVATION DISTRICT
HAM LAKE, MINNESOTA

SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2022

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%
2020	$ 49,871	$ 49,871	$ -	$ 664,946	7.50%
2021	$ 54,637	$ 54,637	$ -	$ 728,499	7.50%
2022	$ 60,817	$ 60,817	$ -	$ 810,891	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, 2022

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%
2020	0.0092%	$ 551,582	$ 16,859	$ 568,441	$ 652,711	87.09%	79.10%
2021	0.0096%	$ 409,963	$ 12,528	$ 422,491	$ 690,657	61.17%	87.00%
2022	0.0101%	$ 799,923	$ 23,460	$ 823,383	$ 754,198	109.17%	76.70%

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

See accompanying Notes to the Required Supplementary Information.

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

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

2022 -

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

2021 -

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 -

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for year 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2017 - The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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

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

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

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

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.

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

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

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

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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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 as of and for the year ended December 31, 2022, 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 16, 2023.

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 – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minnesota Statutes §6.65*,* insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Anoka Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 16, 2023

PETERSON COMPANY LTD
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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 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 as of and for the year ended December 31, 2022, 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 16, 2023.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anoka Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Anoka Conservation District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Anoka Conservation District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

October 16, 2023

2022-001: Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition and Context: Substantially all accounting procedures are performed by one person.

Prior Year Finding: Yes, 2021-001.

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 District to a 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 District has adequate policies and procedures in place to compensate for the lack of segregation of duties, including having all disbursements approved by the Board of Supervisors.

2022-002: Financial Statement Presentation

Criteria: The District's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with generally accepted accounting principles.

Condition and Context: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. Management has accepted responsibility for the financial statements and reviewed them.

Prior Year Finding: Yes, 2021-002.

Cause: The District has a limited number of personnel with financial reporting experience.

Effect: The design of the controls over the financial reporting process would affect the ability of the District to report its financial data consistently with the assertions of the management in the financial statements.

Recommendation: We recommend that the District be aware of the requirements for fair presentation of the financial statements in accordance with the generally accepted accounting principles. Should the District elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation of an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us; complete the disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Management Response: The District understands that this is required communications for the preparation of the financial statements.