

2018

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



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INTRODUCTION

2018 Anoka Conservation District Year End Financial Report

This report presents Anoka Conservation District's (ACD) financial activity for the year ending December 31, 2018 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

- Although ACD derived 74 percent (\$1,463,960 of \$1,907,355) of its revenue from other governmental sources in 2018, 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 8.8 percent of ACD's budget. When preparing the budget, the Board of Supervisors adjusts for this high level of uncertainty by erring on the side of caution when speculating on which programs will be funded and the level of staffing that will be needed to implement projects. In a successful year, actual revenues and expenditures will far exceed those originally budgeted.
- ACD's General Fund Balance increased by \$51,975 in 2018.
- ACD purchased its office headquarters in 2010. The ACD Board of Supervisors has elected to accelerate principal payments on the mortgage. In 2018, additional principal payments totaling \$62,120 were made. \$114,155 remains due on the mortgage.
- Rents from ACD's office headquarters totaled \$48,917 and associated expenses were \$28,780 plus \$80,012 in principal payments resulting in an operating deficit of \$59,875. These figures do not include \$38,330 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 2018 depreciation of \$26,001, 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 \$13,201.
- 2018 marked the ninth year of sales of the Rain Guardian pretreatment chambers developed by ACD. The Gross sales were \$382,279 with related direct expenses not including labor of \$226,502 for net revenue of \$155,777.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and the Statement of Activities

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

These two statements report ACD's net position and changes in them. You can think of ACD's net position (the difference between assets and liabilities) as one way to measure ACD's financial health, or financial position. Over time, increases or decreases in ACD's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, ACD presents Government activities. All of ACD's basic services are reported here. Fees for service, appropriations from the county, and state grants 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 \$430,088, 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" between Personnel Services and Capital Outlay on the Budgetary Comparison Schedule. Six months equates to \$400,817 in 2018. The current unassigned fund balance is \$206,537.

The Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance is intended to show the differentiation of expenses between operational functions. As of 2010, ACD's purchase of the office complex that includes several rentable suites has added land operation as a function of ACD. As a percentage of district operations it remains small at only 4.6 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 \$38,330, the amount of rents paid by ACD to ACD under Expenditures: Conservation: Current and Revenue: Rents.

ANOKA CONSERVATION DISTRICT AS A WHOLE

The analysis below focuses on the net position and changes in net position of ACD's governmental activities shown in Table 1 and

Table 2: Changes in Net Position

. All activities of ACD ultimately benefit conservation and all activities are governmental due to the fact that conservation districts are special purpose governmental entities. Charges for services include product sales and fees for service to the private sector. Fees charged to other local government entities such as watershed management organizations and watershed districts for natural resource monitoring, inventory, and analysis as well as project management are recorded as intergovernmental revenues.

ACD's total net position increased from \$393,406 to \$430,087 in 2018. 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 \$(229,517) at December 31, 2017 to \$(168,847) at December 31, 2018.

Table 1: Net Position

	Governmental Activities	
	2018	2017
Current Assets	\$1,197,062	\$1,207,145
Capital Assets, net of depreciation	\$598,934	\$622,923
Deferred Outflows of Resources	\$131,360	\$241,067
Combined Assets and Deferred Outflows of Resources	<u>\$1,927,356</u>	<u>\$2,071,135</u>
Current Liabilities	\$770,000	\$826,554
Long-term Liabilities	\$593,278	\$761,697
Deferred Inflows of Resources	\$133,991	\$89,478
Combined Liabilities and Deferred Inflows of Resources	<u>\$1,497,269</u>	<u>\$1,677,729</u>
Investment in Capital Assets	\$598,934	\$622,923
Unrestricted	<u>\$(168,847)</u>	<u>\$(229,517)</u>
Total Net Position	<u>\$430,087</u>	<u>\$393,406</u>

ACD's total revenues decreased by \$3,192 (0.17 percent). The total cost of programs and services decreased by \$63,619 (3.29 percent).

Table 2: Changes in Net Position

	Governmental Activities	
	2018	2017
<u>Revenues</u>		
Intergovernmental	\$1,416,960	\$1,489,017
Charges for Services	\$19,349	\$34,824
Product Sales	\$412,141	\$333,128
Investment Earnings	\$9,988	\$5,842
Rents	\$48,917	\$47,736
Total Revenues	\$1,907,355	\$1,910,547
<u>Expenditures</u>		
Conservation	\$1,841,894	\$1,902,989
Land Operation	\$28,780	\$31,304
Total expenditures	\$1,870,674	\$1,934,293
Increase (Decrease) in Net Position	\$36,681	(\$23,746)

Governmental Activities

The cost of all governmental activities this year excluding land operation was \$1,841,894 compared to \$1,902,989 last year. However, the amount that our taxpayers ultimately financed for these activities through county taxes was only \$196,550. Service contracts with various local government entities generated \$280,554 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 \$412,141; rents \$48,917; investment earnings \$9,988; regional government \$53,495; and state government \$886,361. Overall, ACD's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2018 from \$1,910,547 to \$1,907,355.

Table 3 presents the cost of each of ACD's programs that exceed \$20,000 in annual expenses as well as each program's net cost. The largest cost of any non-construction program is personnel. Since all personnel expenses are accounted for as a single category for ACD as a whole in the financial transactions, this section utilizes ACD's Program Register. The Program Register allocates all personnel expenses to each of ACD's programs per the hours documented in daily staff hours' logs. Overhead expenses such as rent, utilities, training, and supervisor compensation are allocated to programs in proportion to the personnel expense needed for the program. Direct program expenses are also recorded against the program in the Program Register. In 2018 there were 99 separate programs and services included in the Program Register. The net cost shows the amount of county general services funds that were allocated to the project to balance its budget. Programs with a negative net cost generated positive revenue.

Table 3: Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Golden Lake IESF 2	\$437,531	\$23,623	\$446	\$2,368
Rain Guardian Sales	\$283,893	\$272,036	-\$98,385	-\$32,571
McKay Property Management	\$122,482	\$100,437	\$35,235	\$0
Wetland Conservation Act	\$90,195	\$126,213	\$1,264	\$61,767
Rum River Site 4 Stabilization	\$68,044	\$12,747	-\$527	\$0
Carp Management – Typo & Martin Lakes	\$56,962	\$47,742	-\$247	\$2,630
New Program Development	\$53,367	\$0	\$32,275	\$0
Mississippi River Stabilization 1	\$45,372	\$28,839	\$163	\$2,711
Rum River Revetments - CPL	\$34,759	\$43,594	-\$487	\$8,370
Lake George Watershed Analysis	\$31,888	\$47,041	-\$4,543	\$0
Lake Water Quality Monitoring	\$30,592	\$14,660	\$3,242	\$0
Tree Sale	\$30,378	\$30,231	\$476	\$1,745
ACD Comp Planning	\$27,560	\$0	\$1,474	\$0
Sunrise WMO Planning	\$26,749	\$0	\$829	\$0
LRRWMO Retrofits	\$26,682	\$53,128	\$68	\$3,137
Stream Water Quality Monitoring	\$26,567	\$21,615	-\$16,398	-\$17,687
SSTS - MPCA Fix-Up Fund	\$26,105	\$0	\$116	\$0
Water Resources Almanac	\$23,422	\$0	\$404	\$0
Staff Development	\$23,140	\$4,855	\$355	\$0
Buckthorn Mikkelson	\$22,614	\$13,498	\$166	\$1,037
Campus Groundwater Conservation Program	\$22,251	\$29,264	\$117	\$4,783
Totals	\$1,510,553	\$869,523	(\$43,957)	\$38,290

2017 Activities That Didn't Meet the \$20,000 Expense Threshold in 2018

Oak Glen Pond Expansion and IESF	\$0	\$531,022	\$0	\$2,055
Ditch 20 Watershed Analysis	\$5,016	\$54,009	-\$133	\$1,653
Martin/Typo Lake Carp Barriers	\$0	\$35,328	\$0	\$8,450
Revetments on the Rum - OHF	\$13,142	\$30,631	-\$1,591	\$10,801
Beach Property Enhancement	\$13,176	\$27,881	\$374	\$5,895
MN Ag. Water Quality Certification Program	\$87	\$26,171	-\$2	\$8,240
Subsurface Sewage Treatment Systems	\$3,452	\$24,535	\$24	\$331
Buckthorn – Boot Lake SNA	\$3,532	\$22,656	-\$91	\$1,387
Totals	\$38,405	\$752,233	(\$1,419)	\$38,812

ANOKA CONSERVATION DISTRICT'S GENERAL FUND

As ACD completed this year, its general fund reported a fund balance of \$450,459, which is above last year's total of \$398,484. Included in this year's total change in fund balance is a surplus of \$51,975 in ACD's General Fund. The primary reasons for the General Fund's surplus mirror the government activities analysis highlighted on the preceding pages.

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 \$1,907,355 in 2018 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 (\$38,073) revenue variance, which is 2.18 percent of budgeted revenues. Of this variance, (\$29,251) is due to a shortfall in revenues from state governments for anticipated project installation. A variance of (\$11,673) from a shortfall in revenue from regional government was due a regional project ACD is administering not advancing as far as anticipated.

In total, there was a \$48,923 expenditure variance. Expenditure variances of \$11,451 in Personnel Services, \$4,812 in District Projects, and \$43,313 in State Projects were offset in part by (\$7,631) variance in Product Sales.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

At the end of 2018, ACD had \$598,934 in capital assets, including equipment, buildings, and land. This amount represents a net decrease (including additions, deletions and depreciation) of \$23,988 or 3.85 percent to last year.

Table 4: Capital Assets at Year End

	Governmental Activities	
	2018	2017
Land	\$303,000	\$303,000
Buildings	\$233,333	\$238,888
Equipment	\$62,601	\$81,035
Totals	\$598,934	\$622,923

This year’s \$2,012 of additions included \$600 for a small boat and motor, and \$1,412 for a Quanta Sonde replacement sensor.

ACD’s fiscal-year 2019 capital budget calls for it to spend \$78,200 for a boat, tablet computers for supervisors, laptop computers for staff, and a pole building.

Long-Term Liabilities

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

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

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.

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, 2018

	General Fund	Adjustments	Statement of Net Position
<u>Assets</u>			
Cash and Cash Equivalents	\$ 798,732.01		\$ 798,732.01
Accounts Receivable	\$ 36,912.29		\$ 36,912.29
Due from Other Governments	\$ 301,362.07		\$ 301,362.07
Inventory	\$ 52,250.04		\$ 52,250.04
Prepaid Items	\$ 7,806.00		\$ 7,806.00
Capital Assets:			\$ -
Land (not being depreciated)		\$ 303,000.00	\$ 303,000.00
Building (net of accumulated depreciation)		\$ 233,332.68	\$ 233,332.68
Equipment (net of accumulated depreciation)		\$ 62,601.45	\$ 62,601.45
Total Assets	<u>\$ 1,197,062.41</u>	<u>\$ 598,934.13</u>	<u>\$ 1,795,996.54</u>
Deferred Outflows of Resources			
Defined Benefit Pension Plan		<u>\$ 131,360.00</u>	<u>\$ 131,360.00</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 1,197,062.41</u>	<u>\$ 730,294.13</u>	<u>\$ 1,927,356.54</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ -		\$ -
Accrued Payroll	\$ 18,785.31		\$ 18,785.31
Unearned Revenue	\$ 664,240.58		\$ 664,240.58
Deposits on Sales	\$ 26,273.97		\$ 26,273.97
Easement Endowments	\$ 33,200.72		\$ 33,200.72
Security Deposits	\$ 4,101.48		\$ 4,101.48
Sales Tax Payable	\$ 0.79		\$ 0.79
Mortgage Payable		\$ 23,397.44	\$ 23,397.44
Long-Term Liabilities: (due after one year)			
Net Pension Liability		\$ 449,355.00	\$ 449,355.00
Compensated Absences		\$ 53,164.69	\$ 53,164.69
Mortgages Payable		\$ 90,757.55	\$ 90,757.55
Total Liabilities	<u>\$ 746,602.85</u>	<u>\$ 616,674.68</u>	<u>\$ 1,363,277.53</u>
Deferred Inflows of Resources			
Defined Benefit Pension Plan		<u>\$ 133,991.00</u>	<u>\$ 133,991.00</u>
Combined Liabilities and Deferred Inflows of Resources	<u>\$ 746,602.85</u>	<u>\$ 750,665.68</u>	<u>\$ 1,497,268.53</u>
<u>Fund Balance/Net Position</u>			
Fund Balance			
Nonspendable - Inventories	\$ 52,250.04	\$ (52,250.04)	\$ -
Nonspendable - Prepaids	\$ 7,806.00	\$ (7,806.00)	\$ -
Assigned	\$ 183,866.52	\$ (183,866.52)	\$ -
Unassigned	\$ 206,537.00	\$ (206,537.00)	\$ -
Total Fund Balance	<u>\$ 450,459.56</u>	<u>\$ (450,459.56)</u>	<u>\$ -</u>
Net Position			
Investment in Capital Assets		\$ 598,934.13	\$ 598,934.13
Unrestricted		\$ (168,846.12)	\$ (168,846.12)
Total Net Position		<u>\$ 430,088.01</u>	<u>\$ 430,088.01</u>

Notes are an integral part of the basic financial statements.

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

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, 2018

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 1,416,960.01		\$ 1,416,960.01
Product Sales	\$ 412,140.57		\$ 412,140.57
Charges for Services	\$ 19,349.33		\$ 19,349.33
Interest Earnings	\$ 9,987.97		\$ 9,987.97
Rental Income	\$ 48,916.97		\$ 48,916.97
Total Revenues	<u>\$ 1,907,354.85</u>	<u>\$ -</u>	<u>\$ 1,907,354.85</u>
Expenditures/Expenses			
Land Operation			
Current	\$ 21,112.26		\$ 21,112.26
Debt Service, Interest	\$ 7,667.33		\$ 7,667.33
Debt Service, Principal	\$ 80,012.54	\$ (80,012.54)	\$ -
Conservation			
Current	\$ 1,741,124.05	\$ 97,318.55	\$ 1,838,442.60
Capital outlay	\$ 2,012.25	\$ (2,012.25)	\$ -
Total Expenditures/Expenses	<u>\$ 1,851,928.43</u>	<u>\$ 15,293.76</u>	<u>\$ 1,867,222.19</u>
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$ 55,426.42	\$ (15,293.76)	\$ 40,132.66
Fund Balance/Net Position January 1	\$ 398,484.14	\$ (5,077.79)	\$ 393,406.35
Change in Accounting Principle	<u> </u>	<u> </u>	\$ -
Fund Balance/Net Position December 31	<u>\$ 453,910.56</u>	<u>\$ (20,371.55)</u>	<u>\$ 433,539.01</u>

Notes are an integral part of the basic financial statements.

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Anoka Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C 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 and technicians 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 significant amount of ACD's revenue in the form of an appropriation, it does not retain any control over the operations of ACD.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of

ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

the current period. For this purpose, ACD considers all revenues except reimbursement grants to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

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

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 which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Assets

Cash and cash equivalents 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 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.

Receivables are collected within one year. Consignment receivables of \$19,525 are expected to be collected in the future.

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. General capital assets are valued at historical or estimated historical cost.

Unearned Revenue

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

ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Long-Term Liabilities

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

Classification of Net Position

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, ACD has only one item that qualifies for reporting in this category, deferred amounts related to their pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. ACD has only one type of item that qualifies for reporting in this category, amounts related to their pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period. They also include differences between expected and actual experience, changes in assumptions, and changes in proportion, which are recognized over a four-year period.

Pensions

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

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which 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

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

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.

Subsequent Events

In preparing these financial statements, ACD has evaluated events and transactions for potential recognition or disclosure through November 19, 2019, the date the financial statements were available to be issued.

Explanation of Adjustments Column in Statements

Capital Assets

In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if 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.

Debt Service - Principal

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

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

In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment for Current Conservation is the sum of asset subtractions, total

**ANOKA CONSERVATION DISTRICT
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depreciation, net pension expense, PERA support payment by the State of MN, and the change in compensated absences for the reporting 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.

Vacation and Sick Leave

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.

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 increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 2 – DETAILED NOTES

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation

Cost	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$119,320	\$2,012	\$0	\$121,332
Land	303,000	0	0	303,000
Buildings	<u>277,777</u>	0	0	<u>277,777</u>
Total Assets	<u>\$700,097</u>			<u>\$702,109</u>
Accumulated Depreciation				
Equipment	\$38,286	\$20,445	\$0	\$58,730
Buildings	<u>38,888</u>	5,556	0	<u>44,445</u>
Total	<u>\$77,174</u>			<u>\$103,175</u>
Equipment-net	\$81,035			\$62,602
Buildings & Land-net	<u>\$541,888</u>			<u>\$536,332</u>
Net Capital Assets	<u>\$622,923</u>			<u>\$598,934</u>

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation is 5 to 10 years for Machinery and Equipment and 50 years for Buildings. Current year depreciation is \$26,001.

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

Unearned Revenue

Unearned revenue represents unearned advances from several local and state entities including but not limited to the 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, 2018 is \$664,240.

2017 BWSR District Capacity Funds	5,588.23
2019 DNR Shoreland Funds	2,615.00
2019 BWSR WCA Funds	63,191.00
2019 BWSR Local Water Plan Implementation	8,094.00
2019 BWSR Conservation Delivery	20,765.00
2019 BWSR State Cost Share (unencumbered)	11,107.00
2018 BWSR District Capacity Funds	26,763.61
2019 BWSR Buffer Implementation	10,000.00
2019 BWSR District Capacity Funds	100,000.00
2018-19 Cooperative Weed Mgmt	7,261.28
2018 MPCA SSTS Funds	15,715.14
Clean Water Fund Golden Lake Pond IESF	26,023.93
Clean Water Fund Outreach Coordinator	46,908.99
Clean Water Fund Martin and Coon Lake Retrofits	62,825.80
Clean Water Fund Lakeshore Outreach	875.00
2017-19 Clean Water Fund Mississippi Bank Stabilization	58,084.33
2018-20 Clean Water Fund Mississippi Bank Stabilization	112,931.60
Subtotal of state funds:	\$578,749.91
Balance of other unearned funds (list if any):	
Anoka County – Rum River Stabilization	\$37,271.57
Engineering Project Deposit	24,000.00
Linwood Lake Association	1,086.00
LRRWMO Cost Share	4,366.35
Martin Lake Association	2,900.00
RCWD Cost Share Admin	500.00
SRWMO WBF Project Match	7,590.76
SRWMO Cost Share	5,126.02
SRWMO Carp Management	2,649.97
Subtotal of other funds:	\$85,490.67
TOTAL OF ALL UNEARNED REVENUE:	\$664,240.58

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

Long-Term Liabilities

Changes in long-term liabilities for the period ending December 31, 2018 are:

	<u>Jan. 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2017</u>
Net Pension Liability	\$542,634	\$	\$93,279	\$449,355
Compensated Absences	42,788	10,377	0	53,165
Mortgage Payable	194,168	0	80,013	114,155
Total	\$779,590	\$10,377	\$173,292	\$616,675

\$23,397 of the mortgage payable is due in 2019.

Mortgage Payable

ACD has a mortgage on the building it currently occupies. The current mortgage, negotiated in September 2015 is held by TruStone Credit Union with an annual interest rate of 4.15 percent for 5 years, at which time it may increase to 4.25 percent for the remaining 5 years of the mortgage. The ACD Board of Supervisors has elected to accelerate pay-down of the mortgage. As a result, a revised amortization schedule must be prepared each year. The December 31, 2018 principal balance was \$114,155.

Based on the December 31, 2017 balance, interest rate, and payoff duration, future mortgage principal and interest payments are as follows:

Year	Principal	Interest
2019	23,397	4,296
2020	24,387	3,306
2021	25,419	2,275
2022	26,494	1,199
2023	14,458	186
	\$114,155	\$11,262

Deposits

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

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

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, 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, 2018, ACD's deposits were not exposed to custodial credit risk.

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS

Plan Description – Public Employees Retirement Association

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 depending on whether the member was hired prior to July 1, 1989. Since all ACD employees were hired into the PERA system after June 30, 1989, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. Normal retirement age is the age for unreduced Social Security capped at 66.

Benefits increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or has fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for a least 12 full months as of June 30, will receive a pro rata increase.

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 calendar year 2018. ACD was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2018. ACD's contributions to the GERF for the year ended December 31, 2018, were \$41,949. ACD's contributions were equal to the required contributions for each year as set by state statute.

Minnesota Statute Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. ACD makes annual contributions to the pension plans equal to the amount required by state statutes.

NOTE 4 – OPERATING LEASES

ACD purchased office space in 2010 and has five rentable suites in addition to the occupied space. ACD has no operating lease agreements in 2018, but has lease agreements with tenants totaling \$48,917.

ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – ASSIGNED FUND BALANCE

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

Capital Equipment Fund	\$5,588.00
Computer Fund	2,099.23
Vehicle Fund	0.00
Compensated Absences	53,164.69
Easement Endowments	33,200.72
McKay Maintenance Fund	89,813.88
Total Assigned	<u>\$183,866.52</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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

NOTE 7 – RECONCILIATION OF FUND BALANCE TO NET POSITION

Governmental Fund Balance, January 1, 2018	\$398,484.14
Plus: Excess of Revenue Over Expenditures	<u>51,975.42</u>
Governmental Fund Balance, December 31, 2018	<u>\$450,459.56</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	\$598,934.13
Plus: Deferred Outflows of Resources	131,360.00
Less: Current Portion of Mortgage Payable	(23,397.44)
Less: Long-Term Liabilities	(593,277.24)
Less: Deferred Inflows of Resources	<u>(133,991.00)</u>
Adjustment From Fund Balance to Net Position	<u>(\$20,371.55)</u>
Governmental Fund Balance, December 31, 2018	\$450,459.56
Adjustment From Fund Balance to Net Position	<u>(20,371.55)</u>
Net Position	<u>\$430,088.01</u>

NOTE 8 – RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Change in fund balance	\$51,975.42
Capital Outlay	2,012.25
Debt Service, Principal	80,012.54
Pension Expense, net	(60,941.00)
Depreciation ¹	(26,000.60)
Change in Compensated Absences ²	<u>(10,376.95)</u>
Change in Net Position	<u>\$36,681.66</u>

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 measure by the amounts earned.

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

NOTE 9 – DUES

In 2018, ACD paid membership dues as follows:

League of Minnesota Cities Insurance Trust	\$1,860.00
National Assoc. Conservation Districts	501.00
MN Association of Conservation Districts	4,690.98
Metro Area Association of Conservation Districts	300.00
Anoka Area Chamber of Commerce	60.00
Metro Conservation Districts	800.00
Resource Training and Solutions	99.00
Total	<u>\$8,310.98</u>

NOTE 10 – ADDENDA

2018 Breakdown of County Revenue

General Service Allocation	\$ <u>166,992.00</u>
Buffer Implementation	\$ <u>7,233.50</u>
Ag. Preserves	\$ <u>20,027.00</u>
Rum Riverbank Stabilization	\$ <u>2,297.25</u>
TOTAL	<u>\$ 196,549.75</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.)

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$ 224,392.00	\$ 201,514.00	\$ 196,549.75	\$ (4,964.25)
Regional	\$ 215,940.00	\$ 65,168.48	\$ 53,494.96	\$ (11,673.52)
Local Governments	\$ 404,603.52	\$ 276,240.38	\$ 280,554.01	\$ 4,313.63
State Grant	\$ 1,062,576.03	\$ 915,612.23	\$ 886,361.29	\$ (29,250.94)
Total Intergovernmental	<u>\$ 1,907,511.55</u>	<u>\$ 1,458,535.09</u>	<u>\$ 1,416,960.01</u>	<u>\$ (41,575.08)</u>
Charges for Services	<u>\$ 58,000.00</u>	<u>\$ 16,229.63</u>	<u>\$ 19,349.33</u>	<u>\$ 3,119.70</u>
Miscellaneous				
Rental Income	\$ 48,885.00	\$ 48,885.00	\$ 48,916.97	\$ 31.97
Product Sales	\$ 433,950.00	\$ 412,278.58	\$ 412,140.57	\$ (138.01)
Interest Earnings	\$ 4,800.00	\$ 9,500.00	\$ 9,987.97	\$ 487.97
Total Miscellaneous	<u>\$ 487,635.00</u>	<u>\$ 470,663.58</u>	<u>\$ 471,045.51</u>	<u>\$ 381.93</u>
Total Revenues	<u>\$ 2,453,146.55</u>	<u>\$ 1,945,428.30</u>	<u>\$ 1,907,354.85</u>	<u>\$ (38,073.45)</u>
Expenditures				
District Operations				
Personnel Services	\$ 764,016.28	\$ 764,100.28	\$ 749,198.33	\$ 14,901.95
Other Services and Charges	\$ 49,260.00	\$ 46,678.00	\$ 48,888.49	\$ (2,210.49)
Supplies	\$ 1,000.00	\$ 1,400.00	\$ 1,534.89	\$ (134.89)
Capital Outlay	\$ 42,000.00	\$ 1,412.00	\$ 2,012.25	\$ (600.25)
Total District Operations	<u>\$ 856,276.28</u>	<u>\$ 813,590.28</u>	<u>\$ 801,633.96</u>	<u>\$ 11,956.32</u>
District Products				
Trees Sale	\$ 12,000.00	\$ 12,000.00	\$ 14,222.76	\$ (2,222.76)
Rain Guardian	\$ 247,224.35	\$ 221,093.56	\$ 226,502.08	\$ (5,408.52)
Total Product Expenditures	<u>\$ 259,224.35</u>	<u>\$ 233,093.56</u>	<u>\$ 240,724.84</u>	<u>\$ (7,631.28)</u>
Project Expenditures				
District	\$ 276,365.55	\$ 74,890.00	\$ 70,077.75	\$ 4,812.25
State	\$ 979,428.00	\$ 674,012.68	\$ 630,699.75	\$ 43,312.93
Total Project Expenditures	<u>\$ 1,255,793.55</u>	<u>\$ 748,902.68</u>	<u>\$ 700,777.50</u>	<u>\$ 48,125.18</u>
Land Operations				
Debt Service, Interest	\$ 10,500.00	\$ 7,715.00	\$ 7,667.33	\$ 47.67
Debt Service, Principal	\$ 47,892.59	\$ 79,969.00	\$ 80,012.54	\$ (43.54)
Property Taxes	\$ 2,200.00	\$ 2,156.00	\$ 2,156.29	\$ (0.29)
Property Expenses	\$ 35,870.00	\$ 18,876.00	\$ 18,955.97	\$ (79.97)
Total Land Operations	<u>\$ 96,462.59</u>	<u>\$ 108,716.00</u>	<u>\$ 108,792.13</u>	<u>\$ (76.13)</u>
Total Expenditures	<u>\$ 2,467,756.77</u>	<u>\$ 1,904,302.52</u>	<u>\$ 1,851,928.43</u>	<u>\$ 52,374.09</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (14,610.22)	\$ 41,125.78	\$ 55,426.42	\$ 14,300.64
Fund Balance - January 1	<u>\$ 398,484.14</u>	<u>\$ 398,484.14</u>	<u>\$ 398,484.14</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 383,873.92</u>	<u>\$ 439,609.92</u>	<u>\$ 453,910.56</u>	<u>\$ 14,300.64</u>

Stewardship, Compliance and Accountability

Excess of expenditures over budget – The General Fund had expenditures short of the budget for the year as follows: Expenditures \$1,851,928; Budget \$1,904,302; Short \$52,374.

**ANOKA CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

Pension Liability Calculations

PERA Schedule of Contributions and Proportionate Share of Net Pension Liability

**Schedule of Contributions
General Employees Retirement Fund
December 31, 2018**

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%

* 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, 2018**

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Stater'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%

* 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.

Pension Costs

At December 31, 2018, ACD reported a liability of \$449,355 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 to the fund in 2018. 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 \$14,800. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, ACD's proportionate share was .0081 percent, which was a decrease of .0004 percent from its proportionate share measured as of June 30, 2017.

ACD's proportionate share of net pension liability	\$449,355
State of Minnesota's proportionate share of net pension liability associated with the District	
	14,800
Total	\$14,800.00

For the year ended December 31, 2018, ACD recognized pension expense of \$60,941 for its proportionate share of General Employees Plan's pension expense. ACD recognized an

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additional \$3,451 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, 2018, the 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	\$12,454	\$11,348
Change in actuarial assumptions	49,938	52,196
Difference between projected and actual investment earnings	-	45,750
Change in Proportion	46,735	24,697
Contributions paid to PERA subsequent to the measurement date	22,233	-
Total	\$68,968	\$133,991

The \$22,233 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, 2018. 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
2019	29612
2020	(4,253)
2021	(42,372)
2022	(7,851)

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

- The morality projection scale was changed from MP-2015 to MP-2017.

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- The assumed post-retirement 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.

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 Stock	36	5.10
International Stocks	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	0.00
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2018 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:	\$730,259	\$449,335	\$217,476

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.