GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
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SMITH◆SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Goodhue County Soil and Water Conservation District
Goodhue, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Goodhue County Soil and Water Conservation District (the District) as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of December 31, 2020, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 21, 2021

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GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

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GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
GENERAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2020

	General Fund	Reconciliation	Governmental Activities
Assets			
Cash and cash equivalents	$ 753,176	$	$ 753,176
Due from other governmental units	105,472		105,472
Inventory	4,147		4,147
Capital assets			
Equipment (net of accumulated depreciation)		115,721	115,721
Total Assets	862,795	115,721	978,516
Deferred Outflows of Resources			
Deferred pension outflows		21,872	21,872
Liabilities			
Accounts payable	28,427		28,427
Salaries and wages payable	559		559
Other accrued liabilities	409		409
Unearned revenue	345,155		345,155
Noncurrent liabilities:			
Net pension liability		347,737	347,737
Compensated absences		75,659	75,659
Total Liabilities	374,550	423,396	797,946
Deferred Inflows of Resources			
Deferred pension inflows		43,171	43,171
Fund Balance / Net Position			
Fund Balance			
Nonspendable	4,147	(4,147)	
Unassigned	484,098	(484,098)	
Total Fund Balance	488,245	(488,245)	
Net Position			
Investment in capital assets		115,721	115,721
Unrestricted		43,550	43,550
Total Net Position		159,271	159,271
Total Fund Balance / Net Position	$ 488,245	$ (328,974)	$ 159,271

See Notes to Financial Statements

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCE
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (page 7)		$ 488,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 302,865	
Less: Accumulated depreciation	187,144	
		115,721
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability, deferred outflows and inflows from pension activity	$ (369,036)	
Compensated absences	(75,659)	
		(444,695)
Net position of governmental activities (page 7)		$ 159,271

See Notes to Financial Statements

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2020

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental revenue	$ 2,442,871	$	$ 2,442,871
Charges for services	39,553		39,553
Investment earnings	4,882		4,882
Miscellaneous	17,472		17,472
Total Revenues	2,504,778		2,504,778
Expenditures			
Conservation:			
Current	2,256,722	(38,901)	2,217,821
Capital outlay	48,175	(48,175)	
Total Expenditures	2,304,897	(87,076)	2,217,821
Net Change in Fund Balance / Net Position	199,881	87,076	286,957
FUND BALANCE / NET POSITION - BEGINNING	288,364	(416,050)	(127,686)
FUND BALANCE / NET POSITION - ENDING	$ 488,245	$ (328,974)	$ 159,271

See Notes to Financial Statements

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 9)		$ 199,881
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	48,175	
Depreciation expense	(44,526)	
Gain on disposal of capital assets	39,272	
		42,921
In the statement of activities, certain operating expenses - net pension liability, deferred outflows and inflows from pension activity, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Net pension liability, deferred outflows and inflows from pension activity	30,143	
Compensated absences	14,012	
		44,155
Change in net position of governmental activities (page 9)		$ 286,957

See Notes to Financial Statements

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2020

	Budgeted Amounts		2020	Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental				
County	$ 484,900	$ 400,000	$ 400,000	$
Local	11,700	11,700	20,980	9,280
State	274,595	628,869	1,980,531	1,351,662
Federal		38,720	41,360	2,640
Total Intergovernmental	771,195	1,079,289	2,442,871	1,363,582
Charges for services	38,789	29,800	39,553	9,753
Miscellaneous				
Interest earnings	2,400	4,000	4,882	882
Other	27,025	12,550	17,472	4,922
Total Miscellaneous	29,425	16,550	22,354	5,804
TOTAL REVENUES	839,409	1,125,639	2,504,778	1,379,139
EXPENDITURES				
District Operations				
Personnel services	563,871	556,342	580,659	24,317
Other services and charges	77,197	70,100	78,003	7,903
Supplies	5,080	10,500	9,518	(982)
Capital outlay	51,776	5,500	48,175	42,675
Total District Operations	697,924	642,442	716,355	73,913
Project Expenditures				
District	21,286	12,250	4,346	(7,904)
Federal	8,000	8,000	8,000	
State	101,286	405,002	1,576,196	1,171,194
Total Project Expenditures	130,572	425,252	1,588,542	1,163,290
TOTAL EXPENDITURES	828,496	1,067,694	2,304,897	1,237,203
NET CHANGE IN FUND BALANCE	10,913	57,945	199,881	141,936
FUND BALANCE - BEGINNING	288,364	288,364	288,364	
FUND BALANCE - ENDING	$ 299,277	$ 346,309	$ 488,245	$ 141,936

See Notes to Financial Statements

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GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

The financial statements of the Goodhue County Soil and Water Conservation District (the District) are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

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

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

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

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

Government-Wide Financial Statements

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

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.

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

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

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

Budget Information

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

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

1. Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Receivables

Receivables are collectible within one year.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventories are recorded as expense when consumed rather than when purchased.

Capital Assets

Capital assets are reported on a net (depreciated) basis. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 and an estimated useful life greater than one year. General capital assets are valued at historical or estimated historical cost.

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. For the purpose of computing depreciation, the useful life for machinery and equipment is five to ten years.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one type and is pension related and is reported on the statement of net position.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded.

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences Benefits

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 4 to 7 hours per pay period. Sick leave accrual is 4 hours for each pay period. The limit on the accumulation of vacation leave is 200 hours and the limit on the accumulation of sick leave is 960 hours. Upon termination of employment from the District, employees who have completed their probationary period are paid accrued vacation leave and 60% of their accrued sick leave not to exceed 576 hours.

The amount reported as compensated absences benefits consists of unpaid, accumulated vacation and sick balances. The liability has been calculated using the vested method, in which leave amounts are accrued for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. The liability is reported in governmental funds only if they have matured and is accrued when incurred in the government-wide statements.

Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognized two types. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position.

Pensions

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

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.

1. Summary of Significant Accounting Policies (Continued)

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

Classifications of Fund Balances

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

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

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

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

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

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

The District 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.

2. Stewardship and Accountability

Excess expenditures over appropriation during 2020 – The General Fund had expenditures in excess of budget of $1,247,428. All excess expenditures were a result off planned process.

3. Cash and Investments

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. Minnesota Statute 118A.03 requires that all District 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 standards 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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, the District's deposits were not exposed to custodial credit risk.

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

3. Cash and Investments (Continued)

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets measured at fair value on a recurring basis noted at the District.

4. Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Equipment	$ 375,684	$ 48,175	$ 120,994	$ 302,865
Less accumulated depreciation for:				
Equipment	302,884	44,526	160,266	187,144
Governmental activities capital assets, net	$ 72,800	$ 3,649	$ (39,272)	$ 115,721

Depreciation for the year ended December 31, 2020 was $44,526.

5. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended December 31, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	$ 89,671	$ 8,406	$ 22,418	$ 75,659	$

6. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

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

7. Operating Leases

The District leases office space on a yearly basis. Under the current agreement total costs for the year ended December 31, 2020 were $30,816.

8. Defined Benefit Pension Plans – Statewide

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

1. General Employees Retirement Plan

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.

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.

1. General Employees Plan Benefits

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.

8. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 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, 2020 were $31,277. The District's contributions were equal to the required contributions as set by the state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the District reported a liability of $347,737 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 $10,761. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the District's proportion was 0.0058 percent at the end of the measurement period and 0.0061 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	347,737
State of Minnesota's proportionate share of the net pension liability associated with the District		10,761
Total	$	358,498

8. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

For the year ended December 31, 2020, the District recognized pension expense of ($30,143) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $937 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

At December 31, 2020, the District reported its proportionate share of 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
Difference between expected and actual economic experience	$ 3,343	$ 1,316
Changes in actuarial assumptions		13,531
Difference between projected and actual investment earnings	1,758	
Changes in proportion		28,324
Contributions paid to PERA subsequent to the measurement date	16,771	
Total	$ 21,872	$ 43,171

The $16,771 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, 2021. Other amounts reported as deferred outflows and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	Pension Expense Amount
2021	$ (38,149)
2022	(10,815)
2023	2,491
2024	8,403

8. Defined Benefit Pension Plans – Statewide (Continued)

Total Pension Expense

Pension expense recognized by the District for the year ended December 31, 2020 is as follows:

General Employees Fund	$ (29,206)

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

	General Employees Plan
Inflation	2.50% per year
Salary Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

8. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (continued)

The following changes in actuarial assumptions occurred in 2020:

1. General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions Assumptions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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 table on the following page.

8. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates specified 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:

Sensitivity Analysis

Net Pension Liability at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	$ 557,301
Current Discount Rate	7.50%	347,737
1% Higher	8.50%	174,863

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.

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GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

REQUIRED SUPPLEMENTAL INFORMATION

DECEMBER 31, 2020

Schedule of District's Contributions
PERA General Employee Retirement Fund
Last Ten Years

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 29,770	$ 29,940	$ (170)	$ 398,801	7.51%
2016	32,214	32,214		429,514	7.50%
2017	31,912	31,912		425,490	7.50%
2018	32,936	32,936		439,144	7.50%
2019	31,199	31,199		415,987	7.50%
2020	31,277	31,277		417,027	7.50%
2021					
2022					
2023					
2024					

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Public Employees PERA
Last Ten Years (presented prospectively)

Fiscal Year Ending June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and District's Share of State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0067%	$ 347,229	$	$ 347,229	$ 384,546	90.30%	78.19%
2016	0.0065%	527,768	6,909	534,677	406,006	131.69%	68.90%
2017	0.0068%	434,108	5,438	439,546	436,414	100.72%	75.90%
2018	0.0065%	360,593	11,805	372,398	434,848	85.64%	79.50%
2019	0.0061%	337,255	10,333	347,588	418,382	83.08%	80.20%
2020	0.0058%	347,737	10,761	358,498	417,027	85.97%	79.06%
2021							
2022							
2023							
2024							

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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GOODHUE COUNTY SOIL AND WATER CONSERVATION DISTRICT
GOODHUE, MINNESOTA

OTHER REPORT SECTION

DECEMBER 31, 2020

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

To the Board of Supervisors
Goodhue County Soil and Water Conservation District
Goodhue, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Goodhue County Soil and Water Conservation District, Goodhue, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2021.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interests, tax increment financing, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing public because the District does not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions.* 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 District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of Goodhue County Soil and Water Conservation District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 21, 2021