

**NOBLES SOIL AND WATER
CONSERVATION DISTRICT
AUDITED FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020**

NOBLES SOIL AND WATER CONSERVATION DISTRICT

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NOBLES SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF BOARD MEMBERS AND OFFICIALS

DECEMBER 31, 2020

| | | <u>Term Expires</u> |
|------------------|---------------------|---------------------|
| Paul Langseth | Chairman | 12-31-22 |
| Rick Nelson | Vice Chairman | 12-31-22 |
| Lynn Darling | Secretary | 12-31-20 |
| Ken Wolf | Treasurer | 12-31-20 |
| Jim Knips | Public Relations | 12-31-20 |
| John Shea | District Manager | Indefinite |
| Tiffini Etsinger | Financial | Indefinite |
| Scott Runck | District Technician | Indefinite |

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INDEPENDENT AUDITOR'S REPORT

Nobles Soil & Water Conservation District
1567 McMillan Street Suite 3
Worthington, MN 56187

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, Worthington, Minnesota as of and for the year ended December 31, 2020, 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 and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Minnesota Legal Compliance Audit Guide for Local Governments, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. 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 major fund, the general fund, of the Nobles Soil and Water Conservation District, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the budgetary comparison schedule on page 25, notes to required supplementary information on page 26, and pension schedules on pages 27 through 28, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2021, on our consideration of the Nobles Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Danielle L. Berg, Ltd.
Certified Public Accountant

September 15, 2021

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

This section of the annual financial report of the Nobles Soil and Water Conservation District presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December, 31, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The District's net position on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance increased due to the increases in revenues being greater than the increases in project expenses and payroll expenses.
- The current year activities resulted in an increase of \$16,416.
- The total revenues from State and Federal sources was up significantly compared to the prior year due to the utilization of funds for the Missouri River Watershed Implementation Grant along with higher local capacity usage. Charges for services was lower by \$33,898.
- The unearned revenue on the Statement of Net Position and Governmental Fund Balance Sheet had a significant increase in 2020 due to the receipt of funds related to the Missouri River Watershed Implementation Grant in the amount of \$660,223, the majority of which, \$536,089, was deferred at year end.

USING THIS ANNUAL REPORT

This annual report consists of four main topics: 1) Management's Discussion and Analysis (MD&A); 2) Financial Statements; 3) Reconciliation Statements; and 4) Notes to the Financial Statement. Since SWCDs are single-purpose, special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Nobles SWCD has elected to present in this format. These topics are further explained as follows:

- Management's Discussion and Analysis (MD&A-this section). This section relates mostly to the changes in the District's finances and explains the Governmental Wide-Financial Statements in detail. The MD&A is on pages 4-8;
- Financial Statements – pages 9 and 11:
 - The Governmental Wide-Financial Statement includes a series of financial statements that provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending; and
 - The Fund Financial Statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Fund financial statements also report the District's operations.
- Reconciliation Statements – pages 10 and 12:
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the differences in these two statements. The Statement of Net Position under the "Adjustments" column shows the differences in the two statements.
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements. The Statement of Activities under the "Adjustments" column shows the differences in the two statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

- Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found on pages 13-24.
- Required Supplementary Information, found on pages 25 through 28, includes the Budgetary Comparison Schedule, Notes to the Required Supplementary Information, Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions.

Statement of Net Position and Statement of Activities

Our analysis of the Nobles Soil and Water Conservation District begins with the Statement of Net Position and the Statement of Activities of which can be found on pages 9 and 11 of this report. One of the most important questions asked about the District's finances is, "Is the District 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 the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the 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 the District's net position and changes in them. One can think of the District's net position - the difference between assets and deferred outflows from future resources and liabilities and deferred inflows from future resources - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents Governmental activities. All of the District's basic services are reported here. Appropriations from the county and state also finance activities.

FUND FINANCIAL STATEMENTS

The Nobles Soil and Water Conservation District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of those fund and the balances left at year-end that are available for spending. The fund 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 the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Activities and the Statement of Net Position) and governmental funds through the Reconciliation's of these statements, which are on pages 10 and 12 (after the Fund Financial Statements). The basic governmental financial reports can be found on pages 9 and 11 of this report.

Notes to the Financial Statement

The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Stewardship, compliance and accountability; 3) Deposits and Investments; 4) Changes in Capital Assets; 5) Unearned Revenue; 6) Compensated Absences Payable; 7) Risk Management; 8) Pension Plan; 9) Risk Management, and 10) Operating Leases. The Notes to the Financial Statement are on pages 13-24.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

STATEMENT OF NET POSITION

The Nobles Soil and Water Conservation District's net position decreased from one year ago. Our analysis below focuses on the net position (Table 1) of the District's governmental activities.

| Table 1 Statement of Net Position | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Current Assets | \$ 1,469,081 | \$ 1,141,858 |
| Capital Assets Net of Depreciation | \$ 71,845 | \$ 87,337 |
| Total Assets | \$ 1,540,926 | \$ 1,229,195 |
| Deferred Outflows of Resources | \$ 19,442 | \$ 22,163 |
| Total Assets & Deferred Outflows of Resources | \$ 1,560,368 | \$ 1,251,358 |
| Current and Other Liabilities | \$ 1,008,658 | \$ 684,638 |
| Deferred Inflows of Resources | \$ 11,533 | \$ 47,080 |
| Net Position: | | |
| Invested in Capital Assets | \$ 71,845 | \$ 87,337 |
| Unrestricted | \$ 468,332 | \$ 432,303 |
| Total Net Position | \$ 540,177 | \$ 519,640 |

The unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements – which was \$540,177 in 2020 and \$519,640 in 2019, an increase of \$20,537.

STATEMENT OF ACTIVITIES

Table 2 reflects changes in Governmental activities of the District. It also reflects some of the actual District's Charges for Services - District program changes from 2019 to 2020.

| Table 2 | Changes in Net Position: | Governmental Activities |
|------------------------|--------------------------|-------------------------|
| | December 31, 2020 | December 31, 2019 |
| Revenues | | |
| County | \$ 123,778 | \$ 133,942 |
| State | 418,070 | 376,067 |
| Federal | 12,258 | 4,130 |
| Local | 78,000 | 78,000 |
| Charges for Services | 51,955 | 85,853 |
| Interest Earnings | 3,971 | 5,108 |
| Other | 2,438 | 2,907 |
| Total Revenues | <u>690,470</u> | <u>686,007</u> |
| Expenses | | |
| Conservation-All Other | 278,497 | 318,690 |
| Depreciation | 15,492 | 16,457 |
| Projects - District | 62,272 | 66,646 |
| Projects - State | 301,414 | 125,905 |
| Projects - Federal | 12,258 | 4,130 |
| Total Expenses | <u>\$ 669,933</u> | <u>\$ 531,828</u> |

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

THE DISTRICT'S FUNDS

As the District completed the year, under the general fund column as presented in the Statement of Net Position on page 9, reported a combined fund balance of \$652,620. This amount plus the capital assets net of accumulated depreciation of \$71,845, deferred outflows of \$19,442, minus the Compensated Absences of \$12,332, Net Pension Liability of \$179,864, and Deferred Inflows of \$11,533 gives a total of \$540,177 under the "Adjustments" column for the Statement of Net Position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not adjust the budget. Total revenues were \$1,211,826 lower than budgeted and expenditures were \$1,219,851 lower resulting in a positive variance of \$8,025. The budget differences are due to the Missouri River Watershed Plan revenues and expenditures being budgeted in their entirety for 2020. The majority of the related funds had not been expended at year end and, accordingly, the matching revenues were deferred at year end.

CAPITAL ASSETS

The District uses a threshold of \$1,000 for its asset capitalization policy. At the end of 2020, the District had \$212,225 invested in a broad range of capital assets, including Vehicles, Buildings, Equipment and Machinery (see Table 3). This amount represents a net decrease of total capital assets (including additions and deductions) of \$11,834.

Table 3 Capital Assets at Year-end
(Net of Depreciation)

| Assets | Governmental Activities | |
|---------------------|-------------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Equipment/Machinery | \$ 142,061 | \$ 142,061 |
| Buildings | 12,975 | 12,975 |
| Vehicles | 57,189 | 57,189 |
| Total Assets | 212,225 | 212,225 |
| Net of Depreciation | \$ 71,845 | \$ 87,338 |

LONG-TERM LIABILITIES

Long-term liability obligations include paid time off pay for which employees are paid upon termination from the District by retirement, illness or death. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statement under Section I. Summary of Significant Accounting Policies – 2. Compensated Absences on page 15, and III. D. Pension Costs Net Pension Liability on Page 20.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials considered many factors when setting the fiscal-year 2021 budget. Some of the economic factors taken into account for the 2021 budget include: sales of trees and tree matting, State funding and the County allocation. Expense factors include building expenses and employee salary increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Nobles Soil and Water Conservation District, 1567 McMillan Street, Worthington, MN 56187 or call 507-376-9150, Ext. 3.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
Statement of Net Position and Governmental Fund Balance Sheet
For the Year Ended December 31, 2020

| | General Fund | Adjustments See Reconciliation | Statement of Net Position |
|---|---------------------|-----------------------------------|------------------------------|
| Assets | | | |
| Cash | | | |
| Checking Accounts | \$ 21,927 | | \$ 21,927 |
| Treasury Savings Account | 1,439,196 | | 1,439,196 |
| Petty Cash | 50 | | 50 |
| Total Cash | <u>1,461,173</u> | | <u>1,461,173</u> |
| Accounts Receivable | 7,178 | | 7,178 |
| Inventory | 730 | | 730 |
| Capital Assets, Net of Accumulated Depreciation | | 71,845 | 71,845 |
| Total Assets | <u>1,469,081</u> | <u>71,845</u> | <u>1,540,926</u> |
| Deferred Outflows of Resources: | | | |
| Differences and Changes in Pension Liabilities | - | 19,442 | 19,442 |
| Total Deferred Outflows of Resources | <u>-</u> | <u>19,442</u> | <u>19,442</u> |
| Total Assets and Deferred Outflow of Resources | <u>\$ 1,469,081</u> | <u>\$ 91,287</u> | <u>\$ 1,560,368</u> |
| Liabilities | | | |
| Accounts Payable | \$ 17,179 | | \$ 17,179 |
| Accrued Salaries Payable | 5,578 | | 5,578 |
| Payroll Taxes Payable | 484 | | 484 |
| Sales Tax Payable | 1,199 | | 1,199 |
| Unearned Revenue | 792,022 | | 792,022 |
| Compensated Absences | | 12,332 | 12,332 |
| Net Pension Liability | | 179,864 | 179,864 |
| Total Liabilities | <u>799,283</u> | <u>192,196</u> | <u>1,008,658</u> |
| Deferred Inflows of Resources: | | | |
| Differences and Changes in Pension Liabilities | - | 11,533 | 11,533 |
| Total Deferred Inflows of Resources | <u>-</u> | <u>11,533</u> | <u>11,533</u> |
| Fund Balance | | | |
| Committed | 12,332 | (12,332) | - |
| Unassigned | 640,288 | (640,288) | - |
| | <u>\$ 652,620</u> | <u>(652,620)</u> | <u>-</u> |
| Net Position | | | |
| Invested in Capital Assets | | 71,845 | 71,845 |
| Unrestricted | | 468,332 | 468,332 |
| | | <u>\$ 540,177</u> | <u>\$ 540,177</u> |

See the notes to the financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

| | |
|---|--------------------------|
| Total Fund Balance - Total Governmental Funds | \$ 652,620 |
| Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds' balance sheet. | 71,845 |
| Deferred Outflows reported in the government-wide statement of net position are not current financial resources and therefore are not reported in the governmental fund balance sheet. | |
| Differences and Changes in Pension Liabilities | 19,442 |
| Compensated absences are not due and payable in the current period and are not reported in the general funds. | (12,332) |
| Deferred Inflows reported in the government-wide statement of net position are not a use of current financial resources and therefore are not reported in the governmental fund balance sheet. | |
| Differences and Changes in Pension Liabilities | (11,533) |
| Net pension liability reported in the government-wide statement of net position is not a use of current financial resources and therefore is not reported in the governmental fund balance sheet. | <u>(179,864)</u> |
| Net Position of Governmental Funds | <u>\$ 540,178</u> |

See the notes to the financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2020

| | General Fund | Adjustments See Reconciliation | Statement of Activities |
|---|-------------------|-----------------------------------|----------------------------|
| Revenues | | | |
| Intergovernmental | | | |
| County | \$ 123,778 | | \$ 123,778 |
| State Grant | 418,070 | | 418,070 |
| Federal Grant | 12,258 | | 12,258 |
| Local | 78,000 | | 78,000 |
| Total Intergovernmental Revenues | <u>632,106</u> | <u>-</u> | <u>632,106</u> |
| Charges for Services | <u>51,955</u> | <u>-</u> | <u>51,955</u> |
| Miscellaneous | | | |
| Interest | 3,971 | | 3,971 |
| Other | 2,438 | | 2,438 |
| Total Miscellaneous | <u>6,409</u> | <u>-</u> | <u>6,409</u> |
| Total Revenues | <u>690,470</u> | <u>-</u> | <u>690,470</u> |
| Expenditures\Expenses | | | |
| General Government | | | |
| Personnel Services | 250,857 | (19,613) | 231,244 |
| Other Services and Charges | 45,628 | | 45,628 |
| Supplies | 1,625 | | 1,625 |
| Depreciation | 15,492 | 15,492 | 15,492 |
| Total District Operations | <u>298,110</u> | <u>(4,121)</u> | <u>293,989</u> |
| Conservation | | | |
| District | 62,272 | | 62,272 |
| State | 301,414 | | 301,414 |
| Federal | 12,258 | | 12,258 |
| Total Project Expenditures\Expenses | <u>375,944</u> | <u>-</u> | <u>375,944</u> |
| Total Expenditures\Expenses | <u>674,054</u> | <u>(4,121)</u> | <u>669,933</u> |
| Excess of Revenues Over(Under) Expenditures\Expenses | 16,416 | 4,121 | 20,537 |
| Fund Balance\Net Position - January 1 | <u>636,204</u> | <u>(116,564)</u> | <u>519,640</u> |
| Fund Balance\Net Position - December 31 | <u>\$ 652,620</u> | <u>\$ (112,443)</u> | <u>\$ 540,177</u> |

See the notes to the financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

| | |
|---|-------------------------|
| Net Change in Fund Balance - Total Governmental Funds | \$ 16,416 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. | (15,492) |
| The government-wide statement of activities report pension expense on the full accrual basis for net results of actuarial projections. This difference is not recorded in the fund financial statement. | 7,767 |
| Changes in compensated absences are also reflected in the government-wide statement of activities. | <u>11,846</u> |
| Changes in Net Position of Governmental Activities | <u>\$ 20,537</u> |

See the notes to the financial statements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nobles Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 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 Nobles Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service and other agencies, 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 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.

The financial reporting policies of the District conform to generally accepted accounting principles.

A. Financial Reporting Entity

In conformance with standards established by the Governmental Accounting Standards Board, the District includes all funds that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

The District is not considered a part of Nobles County because, even though the county provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

The District does not have any component units.

B. Basis of Accounting

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 governmental activities, which normally are supported by taxes and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the district.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

D. Budget

The District adopts an estimated revenue 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.

E. Cash Equivalents

Nobles Soil and Water Conservation District recognizes cash as currency on hand, demand deposits held with financial institutions, certificates of deposit, money market accounts, and repurchase agreements.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Nobles Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

F. Assets, Liabilities, and Equity Accounts

1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Accounts receivable are from charges for services. Management believes all balances are fully collectible. Therefore, no allowances for uncollectible amounts is deemed to be necessary.

Inventory includes tree matting and supplies for projects.

Capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. Capital assets are still valued at historical or estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|----------------------------|---------------|
| Machinery and Equipment | 5 – 10 years |
| Furniture and Fixtures | 7 – 10 years |
| Buildings and Improvements | 15 – 30 years |
| Vehicles | 5 years |

The Nobles Soil and Water Conservation District has set the capitalization threshold at \$1,000.

Deferred Outflows/Inflows of Resources result from differences between expected actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and changes in proportion related to pensions. These have been determined on the same basis as they are reported by PERA.

2. Liabilities

Current liabilities include Accounts Payable, Accrued Payroll and Related Taxes, Sales Tax Payable, Deposits on Sale, and Unearned Revenue.

Compensated Absences

Under the District's personnel policies, employees are granted Paid Time Off (PTO) in varying amounts based on their length of service. PTO accrual varies from 8 to 16 hours per month. The limit on the accumulation of PTO also varies based on full or part-time status ranging from 288 hours to 480 hours per year. Upon termination from the District by retirement, illness or death, employees are paid 100% of accrued PTO. The amount reported as compensated absences consists of unpaid, accumulated PTO absences. All benefits that are vested are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured. In accordance with the provisions of government accounting standards for compensated absences, no liability is recorded for nonvesting accumulating rights to receive PTO.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. Equity

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes but not limited to: prepaid expenses, inventory.
- b. 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.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: deferred compensation.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications.

G. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenses are incurred. The District also receives an annual appropriation from the county, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period. Nonexchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

The breakdown of County Revenue for 2020 is as follows:

| | |
|-------------------|--------------|
| Annual Allocation | \$115,000 |
| Wetland Money | <u>8,778</u> |
| Total | \$123,778 |

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

b. Other Revenue

Investment income (reported as Miscellaneous Revenue) and revenue from the sale of trees (reported as Charges for Services) are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until that time.

2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

II. DETAILED NOTES ON ALL FUNDS

A. Capital Assets

Changes in Capital Assets:

| | Buildings | Machinery & Equipment | Vehicles | Totals |
|----------------------------|---------------|--------------------------|-----------------|------------------|
| Primary Government | | | | |
| Balance, December 31, 2019 | \$ 12,975 | \$ 142,061 | \$ 57,189 | \$ 212,225 |
| Increases | - | - | - | - |
| Decreases | - | - | - | - |
| Balance, December 31, 2020 | <u>12,975</u> | <u>142,061</u> | <u>57,189</u> | <u>212,225</u> |
| Accumulated Depreciation | | | | |
| Balance, December 31, 2019 | 12,975 | 62,311 | 49,602 | 124,888 |
| Increases | - | 13,595 | 1,897 | 15,492 |
| Decreases | - | - | - | - |
| Balance, December 31, 2020 | <u>12,975</u> | <u>75,906</u> | <u>51,499</u> | <u>140,380</u> |
| Capital Assets, Net | <u>\$ -</u> | <u>\$ 66,155</u> | <u>\$ 5,690</u> | <u>\$ 71,845</u> |

B. Unearned Revenue

Unearned revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Nobles County for various programs. Revenues will be recognized when the related program expenses are recorded. Unearned revenue for the year ended December 31, 2020, consists of the following:

| | |
|----------------------------------|------------------|
| <u>Unearned Revenue</u> | |
| Regular/Special State Cost Share | <u>\$792,022</u> |

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

C. Compensated Absences

Changes in long-term debt for the period ended December 31, 2020, are:

| | |
|------------------------------------|-----------------|
| Balance – January 1, 2020 | \$24,178 |
| Net change in compensated absences | <u>(11,846)</u> |
| Balance – December 31, 2019 | <u>\$12,332</u> |

There were no compensated absences payable to terminated employees as of December 31, 2020. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

D. Cash and Investments

Cash balances of District funds are invested to the extent available in various investments authorized by state statutes. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below:

Deposits

Minnesota Stat. 118A.02 and 118A.04 authorizes the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.02 requires that all District deposits be covered by insurance, surety bond, or collateral. 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 institutions banking day, not covered by insurance or bonds. All deposits are in category 1, low risk type investments.

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 at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The total pledged collateral in the form of government securities was \$1,877,907 which was sufficient to meet the requirements for deposits not covered by FDIC insurance.

As of December 31, 2020, the carrying amount of the District’s deposits with financial institutions was \$1,461,124, and the bank balance was \$1,561,097. The bank balance is categorized as follows:

| | |
|----------------------------|--------------------|
| Insured by FDIC Insurance | \$ 250,000 |
| Covered by Collateral | 1,311,097 |
| Uninsured/Uncollateralized | <u>0</u> |
| Total | <u>\$1,561,097</u> |

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Investments (Continued)

the Minnesota Housing Agency rated “A” or better; bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investments policies that would further limit investment choices.

The District does not carry any investments on its financial statements as of December 31, 2020.

III. PENSION PLANS

DEFINED BENEFIT PENSION PLANS

A. Plan Description

The Nobles Soil and Water Conservation District, participates in the following defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All Full-time and certain part-time employees of the Nobles Soil and Water Conservation District, Minnesota, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. 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

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 and Basic 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% of average salary for each of the first ten years and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement is the age for unreduced Social Security benefits capped at 66.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

General Employees Plan Benefits (Continued)

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 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 the rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual salary covered for the calendar year 2020 and the Nobles Soil and Water Conservation District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the year ended December 31, 2020 was \$14,861. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the District reported a liability of \$179,864 for its proportionate share of the General Employees Fund net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2020. 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 Nobles Soil and Water Conservation District, Minnesota, totaled \$5,560. 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 .0030% which was an increase of .0002% from its proportion measured as of June 30, 2019.

| | |
|--|------------------|
| Nobles SWCD proportionate share of net pension liability | \$179,864 |
| State of Minnesota's proportionate share of the net pension Liability associated with the Nobles SWCD | <u>5,560</u> |
| Total | <u>\$185,424</u> |

For the year ended December 31, 2020, the District recognized pension expense of \$15,972 for its proportionate share of General Employee Plan's pension expense. In addition, the District recognized an additional \$484 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.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

General Employees Fund Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

| | of Resources | of Resources |
|---|-----------------|-----------------|
| Differences between projected and actual investment earnings | \$2,839 | |
| Changes in actuarial assumptions | | \$6,482 |
| Differences between expected and actual economic experience | \$1,533 | \$681 |
| Change in proportionate share of net pension liability. | \$8,293 | \$4,370 |
| Contributions paid to PERA subsequent to the measurement date | \$6,777 | |
| Total | \$19,442 | \$11,533 |

\$6,777 reported as deferred outflows of resources related to pensions resulting from Nobles Soil and Water Conservation District, Minnesota's contributions to the General Employees Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| | |
|------|------------|
| 2021 | (\$10,470) |
| 2022 | \$1,090 |
| 2023 | \$6,165 |
| 2024 | \$4,347 |

Total Pension Expense

The total pension expense for all plans recognized by the Nobles Soil and Water Conservation District for the year ended December 31, 2020, was \$16,456.

E. Actuarial Assumptions

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

| | |
|------------------------------|----------------|
| Inflation | 2.50% per year |
| Active Member Payroll Growth | 3.00% 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 were based on Pub-2010 General Employee Mortality table for the General Employees Plan 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 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.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2020:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% 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 .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 were 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:

- 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 of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Funds 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.

G. 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 corporation'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%) |
|--|--|----------------------|--|
| City's proportionate share of the GERF net pension liability: | \$288,259 | \$179,864 | \$90,446 |

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investments earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer.

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

| Contribution Amount | | Percent of covered Payroll | | Required Rates |
|---------------------|----------|----------------------------|----------|----------------|
| Employee | Employer | Employee | Employer | |
| \$263 | \$263 | 5.00% | 5.00% | 5.00% |

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

IV. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portions 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. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

V. OPERATING LEASE

The District leases office space on a yearly basis. Under this agreement, the total cost for 2020 was \$14,324. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

NOBLES SOIL AND WATER CONSERVATION DISTRICT

Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------------|-------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | | | | |
| County | \$ 121,000 | \$ 121,000 | \$ 123,778 | \$ 2,778 |
| State Grant | 1,642,796 | 1,642,796 | 418,070 | (1,224,726) |
| Federal Grant | - | - | 12,258 | 12,258 |
| Local | 76,500 | 76,500 | 78,000 | 1,500 |
| Total Intergovernmental Revenues | <u>1,840,296</u> | <u>1,840,296</u> | <u>632,106</u> | <u>(1,208,190)</u> |
| Charges for Services | <u>58,000</u> | <u>58,000</u> | <u>51,955</u> | <u>(6,045)</u> |
| Miscellaneous | | | | |
| Interest | 3,500 | 3,500 | 3,971 | 471 |
| Other | 500 | 500 | 2,438 | 1,938 |
| Total Miscellaneous | <u>4,000</u> | <u>4,000</u> | <u>6,409</u> | <u>2,409</u> |
| Total Revenues | <u>1,902,296</u> | <u>1,902,296</u> | <u>690,470</u> | <u>(1,211,826)</u> |
| Expenditures | | | | |
| District Operations | | | | |
| Personnel Services | 260,261 | 260,261 | 250,857 | 9,404 |
| Other Services and Charges | 73,600 | 73,600 | 45,628 | 27,972 |
| Supplies | 16,000 | 16,000 | 1,625 | 14,375 |
| Total District Operations | <u>349,861</u> | <u>349,861</u> | <u>298,110</u> | <u>51,751</u> |
| Project Expenditures | | | | |
| District | 80,000 | 80,000 | 62,272 | 17,728 |
| State | 1,464,044 | 1,464,044 | 301,414 | 1,162,630 |
| Federal | - | - | 12,258 | (12,258) |
| Total Project Expenditures | <u>1,544,044</u> | <u>1,544,044</u> | <u>375,944</u> | <u>1,168,100</u> |
| Total Expenditures | <u>1,893,905</u> | <u>1,893,905</u> | <u>674,054</u> | <u>1,219,851</u> |
| Excess of Revenues Over(Under) Expenditures | <u>8,391</u> | <u>8,391</u> | <u>16,416</u> | <u>8,025</u> |
| Fund Balance - January 1 | <u>636,204</u> | <u>636,204</u> | <u>636,204</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 644,595</u> | <u>\$ 644,595</u> | <u>\$ 652,620</u> | <u>\$ 8,025</u> |

See the notes to the financial statements.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

Basis of Presentation

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting.

Budgetary Legal Requirements

Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is used during the fiscal year as a tool to monitor actual revenues and expenditures.

The budget is adopted through the passage of a resolution by the board of trustees. Any revision that alters the total expenditures of any fund must be approved by the board of trustees. Appropriations lapse at the end of each year.

Schedule of Proportionate Share of the Net Pension Liability

Nobles Soil & Water Conservation District Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Required Supplementary Information (Last Ten Years*)

| Fiscal Year Ending | Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with Nobles County SWCD | | Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with Nobles County SWCD | | Covered Employee Payroll ((a+b)/c) | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------|--|--|--|---------|---|---------|------------------------------------|--|--|
| | | | (a) | (b) | (a+b) | (c) | | | |
| June 30, 2020 | 0.0030% | 179,864 | 5,560 | 185,424 | 213,293 | 86.93% | 79.10% | | |
| June 30, 2019 | 0.0028% | 154,806 | 4,833 | 159,639 | 207,686 | 76.87% | 80.20% | | |
| June 30, 2018 | 0.0029% | 160,880 | 5,286 | 166,166 | 196,268 | 84.66% | 79.50% | | |
| June 30, 2017 | 0.0030% | 191,518 | 2,425 | 193,943 | 195,716 | 99.09% | 75.90% | | |
| June 30, 2016 | 0.0030% | 243,585 | 3,887 | 247,472 | 184,325 | 134.26% | 68.91% | | |
| June 30, 2015 | 0.0033% | 171,023 | 0 | 171,023 | 192,867 | 88.67% | 78.20% | | |
| June 30, 2014 | 0.0034% | 159,715 | 0 | 159,715 | 176,949 | 90.26% | 78.75% | | |

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2014.

Schedule of Contributions

Nobles Soil & Water Conservation District's Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Required Supplementary Information (Last Ten Years*)

| Fiscal Year Ended | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | | Contributions Deficiency (Excess) (a-b) | | Covered-Employee Payroll (d) | Contributions as a Percentage of Covered-Employee Payroll (b/d) |
|-------------------|---------------------------------------|--|-----|---|-------|------------------------------|---|
| | | Contribution | (b) | Contribution | (a-b) | | |
| December 31, 2020 | \$14,861 | \$14,861 | | \$0 | \$0 | \$198,144 | 7.50% |
| December 31, 2019 | \$15,745 | \$15,745 | | \$0 | \$0 | \$210,031 | 7.50% |
| December 31, 2018 | \$14,928 | \$14,928 | | \$0 | \$0 | \$196,268 | 7.61% |
| December 31, 2017 | \$15,248 | \$15,248 | | \$0 | \$0 | \$195,716 | 7.79% |
| December 31, 2016 | \$14,667 | \$14,667 | | \$0 | \$0 | \$184,325 | 7.96% |
| December 31, 2015 | \$14,465 | \$14,465 | | \$0 | \$0 | \$192,867 | 7.50% |
| December 31, 2014 | \$13,050 | \$13,050 | | \$0 | \$0 | \$176,949 | 7.38% |

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2014.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Council
Nobles County Soil and Water Conservation District
Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General fund Nobles County Soil and Water Conservation District as of and for the year ended December 31, 2020, and the related remaining fund information of Nobles County Soil and Water Conservation District basic financial statements and have issued our report thereon dated September 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Nobles County Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nobles County Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nobles County Soil and Water Conservation District's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2020-1 and 2020-2.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. No significant deficiencies were found.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nobles County Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Nobles County Soil and Water Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Nobles County Soil and Water Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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


Danielle L. Berg, Ltd
Certified Public Accountant

September 15, 2021

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CURRENT AUDIT YEAR FINDINGS AND RESPONSES

Internal Controls:

2020-1 Lack of segregation of duties

Deficiency: The District has limited personnel available to perform accounting duties

Criteria: A good internal control contemplates an adequate segregation of duties so that no one individual handles transactions from inception to completion.

Cause: The District indicated that it has a limited number of employees. Therefore, the District cannot adequately segregate accounting duties.

Effect: As a result of the lack of segregation of duties, personnel are performing duties for which, internal control purposes, should be performed by separate individuals.

Recommendation: While we recognize that the District is not large enough to permit adequate segregation of duties in all respects, it is important that you be aware of this deficiency and design internal controls to provide for proper segregation of duties where possible. This comment should not reflect negatively on the staff and is based solely on staff size.

Response: This is not unusual in an organization of this size. The District has studied the situation and found that it is not economically feasible to design the system of internal controls to adequately provide for the segregation of duties.

Corrective Plan of Action: The Board will monitor personnel duties.

2020-2 Lack of expertise by District personnel to prepare accrual basis financial statements

Condition: The District personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles. The District auditor's staff assisted with the preparation of the financial statements as of December 31, 2020.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statements are prepared in accordance with generally accepted accounting principles.

Cause: The District could put together the financial statements on the accrual basis of accounting, however, they have requested assistance in ensuring all required disclosures are properly included and changes made by GASB are implemented.

Effect: The District's personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Recommendation: The District should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles.

Response: This is not unusual in an organization of this size. It is not economically feasible for the District to provide the necessary training for personnel to acquire and maintain this expertise.

Corrective Plan of Action: The District will continue to have the auditor's staff assist with the preparation of the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

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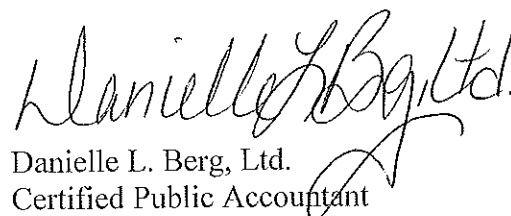
INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Nobles Soil and Water Conservation District
1567 McMillan Street Suite 3
Worthington, MN 56187

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Nobles Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated September 15, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Nobles Soil and Water Conservation District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Nobles Soil and Water Conservation District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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


Danielle L. Berg, Ltd.
Certified Public Accountant

September 15, 2021