

**PELICAN RIVER WATERSHED DISTRICT  
FINANCIAL STATEMENTS AND  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2009**

**PELICAN RIVER WATERSHED DISTRICT**

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## **INTRODUCTORY SECTION**

**PELICAN RIVER WATERSHED DISTRICT  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2009**

<b>POSITION</b>	<b>TERMS EXPIRE</b>	<b>NAME</b>
<u>BOARD OF MANAGERS</u>		
President	May 2010	Dennis Kral
Vice President	May 2012	Orrin Okeson
Treasurer	May 2011	Ginny Imholte
Secretary	May 2012	David Brainard
Manager	May 2010	Janice Haggert
Manager	May 2010	William Jordan
Manager	May 2011	Bill Wickum
<u>STAFF</u>		
Administrator		Tera Guetter

## **FINANCIAL SECTION**

**MATHIAS C. JUSTIN, LTD.**  
***Certified Public Accountants***

Mick Justin, CPA  
Judith Moravec, CPA  
Stephanie Murray, CPA

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Member:  
American Institute of  
Certified Public Accountants  
Minnesota Society of  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**

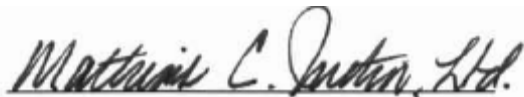
To the Board of Managers  
Pelican River Watershed District  
Detroit Lakes, Minnesota

We have audited the accompanying statements of cash and unencumbered cash; cash receipts and disbursements; and disbursements—budget and actual for each fund of the Pelican River Watershed District, Detroit Lakes, Minnesota, as of and for the year ended December 31, 2009. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the District as of December 31, 2009, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.



Mathias C. Justin, Ltd.  
Certified Public Accountants

Pequot Lakes, Minnesota  
June 7, 2010

**PELICAN RIVER WATERSHED DISTRICT  
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents (Deficit)	\$ 389,490	\$ 240,028	\$ (4,023)	\$ 625,495
Total Assets	\$ 389,490	\$ 240,028	\$ (4,023)	\$ 625,495
 <b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -
 <b>CASH FUND BALANCES</b>				
Reserved				
Special Revenue	-	240,028	-	240,028
Capital Projects	-	-	(4,023)	(4,023)
Unreserved, Reported in				
General Fund	389,490	-	-	389,490
Total Cash Fund Balances (Deficit)	389,490	240,028	(4,023)	625,495
Total Liabilities and Cash Fund Balances (Deficit)	\$ 389,490	\$ 240,028	\$ (4,023)	\$ 625,495

**PELICAN RIVER WATERSHED DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009**

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL
<b>RECEIPTS</b>				
Property Taxes	\$ 206,974	\$ 62	\$ -	\$ 207,036
Special Assessments	-	94,662	-	94,662
Permit and Inspection Fees	-	2,925	-	2,925
Intergovernmental				
Grant	-	16,600	59,136	75,736
Market Value	14,913	-	-	14,913
PERA	308	-	-	308
Charges for Services	-	113,599	-	113,599
Interest	1,396	1,316	134	2,846
Other	-	-	2,000	2,000
Total Receipts	<u>223,591</u>	<u>229,164</u>	<u>61,270</u>	<u>514,025</u>
<b>DISBURSEMENTS</b>				
General Government				
Current				
Payroll	197,627	-	-	197,627
Office	34,379	-	-	34,379
Manger	20,345	-	-	20,345
Professional	22,686	-	-	22,686
Conservation of Natural Resources				
Current				
Payroll	-	40,422	278	40,700
Office	-	2,149	91	2,240
Harvest	7,478	48,306	-	55,784
Manager	-	1,224	3,966	5,190
Monitor	-	8,262	8	8,270
Professional	-	20,865	30,049	50,914
Ditch	-	5,258	-	5,258
Capital Outlay	5,178	11,968	101,944	119,090
Debt Service				
Principal	-	39,393	-	39,393
Interest	-	2,607	-	2,607
Total Disbursements	<u>287,693</u>	<u>180,454</u>	<u>136,336</u>	<u>604,483</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(64,102)</u>	<u>48,710</u>	<u>(75,066)</u>	<u>(90,458)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	71,000	-	8,000	79,000
Transfers Out	-	(79,000)	-	(79,000)
Total Other Financing Sources (Uses)	<u>71,000</u>	<u>(79,000)</u>	<u>8,000</u>	<u>-</u>
NET CHANGE IN CASH FUND BALANCES	6,898	(30,290)	(67,066)	(90,458)
Fund Balances - Beginning	<u>382,592</u>	<u>270,318</u>	<u>63,043</u>	<u>715,953</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 389,490</u>	<u>\$ 240,028</u>	<u>\$ (4,023)</u>	<u>\$ 625,495</u>

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Financial Reporting Entity

The Pelican River Watershed District was established on May 27, 1966, under the Minnesota Watershed Act as amended by the State of Minnesota, Water Resources Board. The District was established to carry out the conservation of the natural resources of the District and State of Minnesota through land utilization, flood control, and other needs upon sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. The District has a governing board of seven managers appointed for three-year terms by the Becker County Commissioners.

For financial reporting purposes, the District's financial statements include all funds over which the District's officials exercise oversight responsibility. The financial statements of the reporting entity include those of the District (the primary government) and its component units (no component units). Although, the managers are appointed by the Becker County Commissioners, the District is not a component unit of the County since the County does not have the ability to impose its will on the District or meet the financial benefit or burden consideration.

B. Basis of Presentation - Fund Accounting

The accounting system of the District is organized on a fund basis. Each fund is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which such resources are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one broad fund type category, Governmental Fund Type. The District reports the following major funds:

*Governmental Funds:*

**General Fund** - The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The General Fund is the general operating fund of the District. It is used to account for financial receipts to be used for general administrative expenditures and for the construction and maintenance of projects of common benefit to the District.

The Harvesting Projects Implementation Fund is also a general fund of the District. It is used for aquatic plant harvesting and chemical application maintenance funds reserved for future replacement of worn-out or unusable equipment or facilities.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation - Fund Accounting (Continued)

*Governmental Funds : (Continued)*

**Special Revenue Fund** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

The Utility Fund is used for storm-water treatment activities and facilities. The Utility Fund is funded by charges to each parcel in the District collected by the Becker County Auditor, which are based upon predefined nutrient runoff coefficients. The fund is also used for making loan repayments on the Minnesota Clean Water Partnership Project Loans for restoration of Lake Sallie.

The Survey and Data Acquisition Fund is used for necessary surveys and acquiring data. For future projects where a survey has been paid for from this fund, the costs of the survey as determined by the Managers shall be included as part of the project work and the sum shall be repaid to the Survey and Data Acquisition Fund. Receipts can also come from an ad valorem tax assessed every five years.

The Project 1-B and 1-C Maintenance (Aquatic Plant Harvesting) Funds are repair and maintenance funds financed by special assessments against the properties around Sallie, Melissa, and Detroit Lakes. Services provided include aquatic plant management (mechanical harvesting and chemical control), weekly roadside pickup, and shoreline blow-ins, as needed.

The Ditch #11-12, #13 and #14 Maintenance Funds are repair and maintenance funds designated for maintaining and further developing the ditches. They are financed by special assessments.

**Capital Project Fund** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects. Fund equities in such funds are reported as designated for capital project funds in government fund financial statements.

C. Measurement Focus and Basis of Accounting

The District follows the cash basis of accounting for all funds. The Statements of Balances Arising From Cash Transactions and Statements of Cash Receipts, Disbursements, and Changes in Cash Fund Balances were prepared on the cash basis and accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses, and inventory, and accordingly, are not presented in accordance with U.S. generally accepted accounting principles. These procedures are in accordance with *City Audited Financial Statements for Cities Under 2,500 in Population Reporting on the Regulatory Basis of Accounting* as required by the Office of the State Auditor, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities, and Net Cash

**1. Cash and Cash Equivalents**

The District pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in an interest bearing savings account.

**2. Cash Fund Balance**

In the statement of balances arising from cash transactions, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Receipts and Disbursements

**1. Receipts**

Property Tax Revenue

The District levies its property taxes for the subsequent year during the month of December. Becker and Otter Tail Counties are the collecting agencies for the levy and remits these collections to the District. The District receives its taxes in two installments in June and December.

The property tax levy in 2009 includes certain state credits that are distributed to the District directly by the state. These credits are classified as intergovernmental revenue.

**2. Disbursements**

The District disburses funds as approved by the District's Board of Managers.

F. Capital Assets

The District records capital assets as disbursements at the time of their purchase.

G. Budgets

Budgets are prepared using the regulatory cash basis, the same method of accounting as the financial statements.

H. Property Tax Collection Calendar

On September 15 of each year, the District provides the County Auditor with preliminary budgets for the following year of the General, Utility, Survey and Data Acquisition, Ditch #11-12, Ditch #13, Ditch #14, Project 1-B and Project 1-C Funds. A public hearing and formal resolutions concerning the budget proposals are required prior to the September 15 deadline. Final property tax levies must be certified to the County Auditor no later than five working days after December 20.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Property Tax Collection Calendar (Continued)

The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer (May 15 and October 15) and tax settlements are made to the District in June and December of the same year.

I. Use of Estimates

The preparation of financial statements in accordance with regulatory cash basis requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

J. Cash and Cash Equivalents

For purposes of financial reporting "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity date of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

K. Internal and Inter-Fund Balances and Activities

In preparing the fund financial statements, inter-fund activity, if any, is reported as inter-fund reimbursements (repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them).

L. Fair Value of Financial Instruments

The carrying amounts of the government's assets and liabilities approximate their fair value.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Disclosures of certain information concerning individual funds include:

➤ The following fund had a deficit fund balance as of December 31, 2009:

Capital Projects Fund	<u>\$ 4,023</u>
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**NOTE 3 DEPOSITS AND INVESTMENTS**

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as "Cash and Investments." Interest is allocated based on management's estimate of interest earned by fund. In accordance with *Minnesota Statutes* the District maintains deposits at financial institutions which are authorized by the Board of Managers.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits (Continued)

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 has a deposit policy for custodial credit risk which follows *Minnesota Statutes* for deposits.

*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

A number of recent temporary changes were made to Federal Deposit Insurance Corporation (FDIC) deposit coverage in 2008. First, the FDIC coverage limit for depositors was raised to \$250,000. All of the prior rules apply to government depositors. The \$250,000 FDIC coverage limit is scheduled to remain in effect through December 31, 2013. On January 1, 2014, the standard insurance amount is scheduled to return to \$100,000 per depositor for all account categories except for certain retirement accounts.

The Transaction Account Guarantee Program, initiated in 2008, provided unlimited coverage for "non-interest bearing transaction accounts," (including IOLTA (Attorney Trust) accounts and NOW accounts that pay up to 0.5% interest) in participating banks. A list of banks that opted out of the program can be found at:

[www.fdic.gov/regulations/resources/TLGP/outout.html](http://www.fdic.gov/regulations/resources/TLGP/outout.html). The unlimited coverage for non-interest bearing transaction accounts is scheduled to terminate on June 30, 2010.

Authorized collateral includes:

- U.S. government treasury bills, notes, or bonds;
- issues of a U.S. government agency or instruments that are quoted by a recognized industry quotation service available to the government entity;
- a general obligation of a state or local government, with taxing powers, rated "A" or better;
- a revenue obligation of a state or local government, with taxing powers, rate "AA" or better;
- unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- an irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- time deposits insured by any federal agency.

The bank balance of District deposits at December 31, 2009, was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with *Minnesota Statutes*.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments

The District has an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes 118A.04 and 118A.05 as follows:

- Governmental bonds, notes, bills, mortgages, and other securities, which were direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities defined as “high risk”;
- General obligations of a state or local government with taxing powers which was rated “A” or better by a national bond rating service;
- Revenue obligations of a state or local government with taxing powers which was rated “AA” or better by a national bond rating service;
- General obligations of the Minnesota Housing Finance Agency which was a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating service;
- Commercial papers issued by the United States corporation or its Canadian subsidiaries and that was rated in the highest quality category by at least two nationally recognized rating agencies, and matures in 270 days or less; Time deposits fully insured by the Federal Deposit Insurance Corporation;
- Bankers acceptances issued by United States banks;
- Its own temporary obligations issued under Minn. Stat. §§ 429.091, subd. 7 (special assessments), 469.178 subd. 5 (tax increment bonds), or 475.61, subd. 6.

Interest Rate Risk

The risk is that changes in interest rates could adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District’s policy to invest only in securities that meet the ratings requirements set by statute.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount that it may invest in any one issuer.

At December 31, 2009, the District had the following investments:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Wells Fargo					
Savings	N/A	N/A	N/A	N/A	\$ 610,374
Deposits	N/A	N/A	N/A	N/A	15,121
Total Cash and Investments					<u>\$ 625,495</u>

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

A. Restricted Cash

Cash Fund Balances have been reserved in the Special Revenue and Capital Projects Funds for District projects.

B. Long-Term Debt

The Schedule of Indebtedness as of December 31, 2009, is as follows:

	Interest Rate	Issue Date	Final Maturity Date	Outstanding January 1, 2009	Issue In 2009	Paid In 2009	Outstanding December 31, 2009
<b><u>Long-Term Indebtedness</u></b>							
MPCA-SRF0031 Assessments (Original \$300,062)	2.00%	9/3/2002	6/15/2012	\$ 107,160	\$ -	\$ 32,017	\$ 75,143
MPCA-SRF0043 Assessments (Original \$71,062)	2.00%	7/1/2003	6/15/2013	33,014	-	7,376	25,638
Total Long-Term Indebtedness				<u>\$ 140,174</u>	<u>\$ -</u>	<u>\$ 39,393</u>	<u>\$ 100,781</u>

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Long-Term Debt (Continued)

	Due Within One Year	
	Principal	Interest
<b><u>Long-Term Indebtedness</u></b>		
MPCA-SRF0031 Assessments	\$ 32,656	\$ 1,344
MPCA-SRF0043 Assessments	7,523	477
Total Long-Term Indebtedness	<u>\$ 40,179</u>	<u>\$ 1,821</u>

The annual debt service requirements to maturity for long-term debt as of December 31, 2009, are as follows:

Year Ending December 31,	Long-Term Indebtedness		Total
	Principal	Interest	
2010	\$ 40,179	\$ 1,821	\$ 42,000
2011	40,990	1,010	42,000
2012	17,030	261	17,291
2013	2,582	26	2,608
Total	<u>\$ 100,781</u>	<u>\$ 3,118</u>	<u>\$ 103,899</u>

**NOTE 5 OTHER NOTES**

A. Defined Benefit Pension Plans

**Plan Description**

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 5 OTHER NOTES (CONTINUED)**

A. Defined Benefit Pension Plans (Continued)

**Plan Description (Continued)**

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the Internet at [www.mnpera.org](http://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.

**PELICAN RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 5 OTHER NOTES (CONTINUED)**

A. Defined Benefit Pension Plans (Continued)

**Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. PECF members are required to contribute 5.83% of their annual covered salary. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007, were \$12,435, \$10,911, and \$9,143, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

B. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. In order to protect against these risks of loss, the District purchases commercial insurance. During the year ended December 31, 2009, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the District's commercial coverage in any of the past three years.

C. Contingencies

The District participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of grants received may be required. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. An estimate of possible loss or range of loss can not be made.

**NOTE 6 COMMITMENTS**

The District entered into a lease agreement for office facilities with Wells Fargo Bank requiring monthly lease payments of \$1,100. The terms of this agreement expire April 11, 2011. Total rental expense for 2009 was \$12,100.

## **COMBINING AND INDIVIDUAL FUND SECTION**

**PELICAN RIVER WATERSHED DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Beginning Budgetary Fund Balance - January 1	\$ 382,592	\$ 382,592	\$ 382,592	\$ -
<b>RECEIPTS</b>				
Property Taxes	220,000	225,000	206,974	(18,026)
Intergovernmental				
Market Value	11,408	5,908	14,913	9,005
PERA	-	-	308	308
Interest	-	-	1,396	1,396
Total Receipts	<u>231,408</u>	<u>230,908</u>	<u>223,591</u>	<u>(7,317)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers From:				
Special Revenue Funds	83,000	81,000	71,000	(10,000)
Total Other Financing Sources	<u>83,000</u>	<u>81,000</u>	<u>71,000</u>	<u>(10,000)</u>
Total Receipts and Other Financing Sources	<u>314,408</u>	<u>311,908</u>	<u>294,591</u>	<u>(17,317)</u>
Amounts Available for Appropriations	<u>697,000</u>	<u>694,500</u>	<u>677,183</u>	<u>(17,317)</u>
<b>DISBURSEMENTS</b>				
General Government				
Current				
Payroll	233,950	233,950	197,627	36,323
Office	53,050	53,050	34,379	18,671
Manager	19,000	19,000	20,345	(1,345)
Professional	11,200	16,200	22,686	(6,486)
Conservation of Natural Resources				
Current				
Harvest	21,075	12,524	7,478	5,046
Capital Outlay	10,000	10,000	5,178	4,822
Total Disbursements	<u>348,275</u>	<u>344,724</u>	<u>287,693</u>	<u>57,031</u>
BUDGETARY FUND BALANCE - DECEMBER 31	<u>\$ 348,725</u>	<u>\$ 349,776</u>	<u>\$ 389,490</u>	<u>\$ 39,714</u>

**PELICAN RIVER WATERSHED DISTRICT  
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES  
SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2009**

	SURVEY AND DATA	
	<u>ACQUISITION</u>	<u>UTILITY</u>
<b>RECEIPTS</b>		
Property Taxes	\$ 62	\$ -
Intergovernmental	-	-
Special Assessments	-	-
Permit and Inspection Fees	-	2,925
Charges for Services	-	113,599
Interest	97	747
Total Receipts	<u>159</u>	<u>117,271</u>
<b>DISBURSEMENTS</b>		
Conservation of Natural Resources		
Current		
Payroll	5,028	-
Office	884	-
Harvest	-	-
Manager	-	-
Monitor	8,262	-
Professional	-	19,088
Ditch	-	-
Capital Outlay	11,968	-
Debt Service		
Principal	-	39,393
Interest	-	2,607
Total Disbursements	<u>26,142</u>	<u>61,088</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(25,983)</u>	<u>56,183</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers Out	(5,000)	(58,000)
Total Other Financing (Uses)	<u>(5,000)</u>	<u>(58,000)</u>
NET CHANGE IN CASH FUND BALANCES	(30,983)	(1,817)
Fund Balance - Beginning	<u>32,377</u>	<u>140,499</u>
FUND BALANCE - ENDING	<u>\$ 1,394</u>	<u>\$ 138,682</u>

REPAIRS AND MAINTENANCE FUNDS

1B	1C	DITCH 11-12	DITCH 13	DITCH 14	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62
415	16,185	-	-	-	16,600
34,500	60,019	115	26	2	94,662
-	-	-	-	-	2,925
-	-	-	-	-	113,599
57	226	70	58	61	1,316
<u>34,972</u>	<u>76,430</u>	<u>185</u>	<u>84</u>	<u>63</u>	<u>229,164</u>
17,299	18,095	-	-	-	40,422
582	683	-	-	-	2,149
6,503	41,803	-	-	-	48,306
612	612	-	-	-	1,224
-	-	-	-	-	8,262
796	981	-	-	-	20,865
-	-	1,640	3,618	-	5,258
-	-	-	-	-	11,968
-	-	-	-	-	39,393
-	-	-	-	-	2,607
<u>25,792</u>	<u>62,174</u>	<u>1,640</u>	<u>3,618</u>	<u>-</u>	<u>180,454</u>
<u>9,180</u>	<u>14,256</u>	<u>(1,455)</u>	<u>(3,534)</u>	<u>63</u>	<u>48,710</u>
<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(79,000)</u>
<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(79,000)</u>
4,180	9,256	(3,455)	(5,534)	(1,937)	(30,290)
<u>12,002</u>	<u>44,984</u>	<u>14,794</u>	<u>12,878</u>	<u>12,784</u>	<u>270,318</u>
<u>\$ 16,182</u>	<u>\$ 54,240</u>	<u>\$ 11,339</u>	<u>\$ 7,344</u>	<u>\$ 10,847</u>	<u>\$ 240,028</u>

**PELICAN RIVER WATERSHED DISTRICT  
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED DECEMBER 31, 2009**

	CONSTRUCTION AND IMPLEMENTATION FUNDS		TOTAL
	<u>CWP</u>	<u>DNR</u>	
<b>RECEIPTS</b>			
Intergovernmental			
Grant	\$ 20,000	\$ 39,136	\$ 59,136
Donations	-	2,000	2,000
Interest	134	-	134
Total Receipts	<u>20,134</u>	<u>41,136</u>	<u>61,270</u>
<b>DISBURSEMENTS</b>			
Conservation of Natural Resources			
Current			
Payroll	278	-	278
Office	91	-	91
Manager	3,966	-	3,966
Monitor	-	8	8
Professional	20,949	9,100	30,049
Capital Outlay	<u>67,663</u>	<u>34,281</u>	<u>101,944</u>
Total Disbursements	<u>92,947</u>	<u>43,389</u>	<u>136,336</u>
EXCESS OF RECEIPTS (UNDER) DISBURSEMENTS	<u>(72,813)</u>	<u>(2,253)</u>	<u>(75,066)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	8,000	8,000
Total Other Financing Sources	<u>-</u>	<u>8,000</u>	<u>8,000</u>
NET CHANGE IN CASH FUND BALANCES	(72,813)	5,747	(67,066)
Fund Balance (Deficit) - Beginning	<u>65,922</u>	<u>(2,879)</u>	<u>63,043</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (6,891)</u>	<u>\$ 2,868</u>	<u>\$ (4,023)</u>

**SUPPLEMENTAL INFORMATION SECTION (UNAUDITED)**

**PELICAN RIVER WATERSHED DISTRICT  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2009**

<b><u>LONG-TERM INDEBTEDNESS</u></b>	<u>INTEREST RATE</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING JANUARY 1, 2009</u>	<u>ISSUED IN 2009</u>	<u>PAID IN 2009</u>	<u>OUTSTANDING DECEMBER 31, 2009</u>
MPCA-SRF0031 Assessments (Original \$300,062)	2.00%	9/3/2002	6/15/2012	\$ 107,160	\$ -	\$ 32,017	\$ 75,143
MPCA-SRF0043 Assessments (Original \$71,062)	2.00%	7/1/2003	6/15/2013	<u>33,014</u>	<u>-</u>	<u>7,376</u>	<u>25,638</u>
Total Long-Term Indebtedness				<u>\$ 140,174</u>	<u>\$ -</u>	<u>\$ 39,393</u>	<u>\$ 100,781</u>

**PELICAN RIVER WATERSHED DISTRICT  
SCHEDULE OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2009**

FUND	SOURCE OF REVENUE AND PURPOSE	AMOUNT
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There are no accounts receivable as of December 31, 2009.

**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES  
DECEMBER 31, 2009**

FUND	VENDOR NAME	CLAIM NUMBER	AMOUNT
General	Richard Hecock	12082	\$ 20
General	ACS	12083	41
General	Briggs, Ramstad & Skoyles	12085	3,630
General	Central Market	12086	6
General	L & M Supply	12088	4
General	Marco	12089	231
General	Meadowland	12090	1,973
General	Office of Enterprise	12091	81
General	Wenck Associates, Inc.	12096	175
			\$ 6,161

## **OTHER REPORTS SECTION**

**MATHIAS C. JUSTIN, LTD.**  
*Certified Public Accountants*

Member:

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Certified Public Accountants

Minnesota Society of  
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**AUDITOR'S REPORT ON LEGAL COMPLIANCE**

To the Board of Managers  
Pelican River Watershed District  
Detroit Lakes, Minnesota

We have audited the financial statements of the Pelican River Watershed District as of and for the year ended December 31, 2009, and have issued our report thereon dated June 7, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

*The Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the audit committee, management, Board of Managers, federal awarding agencies and pass-through entities, others within the organization, and the Office of the State Auditor of Minnesota and is not intended to be and should not be used by anyone other than those specified parties.



Mathias C. Justin, Ltd.  
Certified Public Accountants

Pequot Lakes, Minnesota  
June 7, 2010