

**PELICAN RIVER WATERSHED DISTRICT
FINANCIAL STATEMENTS AND
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2008**

PELICAN RIVER WATERSHED DISTRICT

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INTRODUCTORY SECTION

**PELICAN RIVER WATERSHED DISTRICT
PRINCIPAL OFFICIALS
DECEMBER 31, 2008**

POSITION	TERMS EXPIRE	NAME
<u>BOARD OF MANAGERS</u>		
President	2010	Dennis Kral
Vice President	2009	Orrin Okeson
Treasurer	2008	Ginny Imholte
Secretary	2009	David Brainard
Manager	2008	Robert Mullikin
Manager	2010	Janice Haggert
Manager	2010	William Jordan
Manager	2011	Bill Wickum
<u>STAFF</u>		
Administrator		Tera Guetter

FINANCIAL SECTION

MATHIAS C. JUSTIN, LTD.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

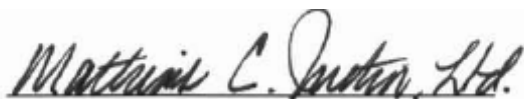
To the Board of Managers
Pelican River Watershed District
Detroit Lakes, Minnesota

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, 2008. 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, 2008, 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, 2008, 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 22, 2009

**PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
ASSETS				
Cash and Cash Equivalents	\$ 382,592	\$ 270,318	\$ 63,043	\$ 715,953
Total Assets	<u>\$ 382,592</u>	<u>\$ 270,318</u>	<u>\$ 63,043</u>	<u>\$ 715,953</u>
 LIABILITIES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 CASH FUND BALANCES				
Reserved				
Special Revenue	-	270,318	-	270,318
Capital Projects	-	-	63,043	63,043
Unreserved, Reported in				
General Fund	<u>382,592</u>	<u>-</u>	<u>-</u>	<u>382,592</u>
Total Cash Fund Balances	<u>382,592</u>	<u>270,318</u>	<u>63,043</u>	<u>715,953</u>
Total Liabilities and Cash Fund Balances	<u>\$ 382,592</u>	<u>\$ 270,318</u>	<u>\$ 63,043</u>	<u>\$ 715,953</u>

PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTAL
RECEIPTS				
Property Taxes	\$ 202,430	\$ 186	\$ -	\$ 202,616
Special Assessments	-	121,185	-	121,185
Permit and Inspection Fees	-	2,700	-	2,700
Intergovernment				
Grant	-	-	30,000	30,000
Market Value	16,091	-	-	16,091
PERA	308	-	-	308
Charges for Services	-	115,349	-	115,349
Interest	5,343	4,849	1,165	11,357
Other	-	2,000	-	2,000
Total Receipts	<u>224,172</u>	<u>246,269</u>	<u>31,165</u>	<u>501,606</u>
DISBURSEMENTS				
General Government				
Current				
Payroll	170,123	-	-	170,123
Office	36,524	-	-	36,524
Manger	15,137	-	-	15,137
Professional	27,875	-	-	27,875
Conservation of Natural Resources				
Current				
Payroll	-	46,178	155	46,333
Office	-	2,405	699	3,104
Harvest	6,180	40,834	-	47,014
Manager	-	159	2,296	2,455
Monitor	-	7,853	-	7,853
Professional	-	37,784	5,270	43,054
Ditch	-	2,112	-	2,112
Capital Outlay	7,130	-	-	7,130
Debt Service				
Principal	-	38,616	-	38,616
Interest	-	3,384	-	3,384
Total Disbursements	<u>262,969</u>	<u>179,325</u>	<u>8,420</u>	<u>450,714</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(38,797)</u>	<u>66,944</u>	<u>22,745</u>	<u>50,892</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	64,000	-	-	64,000
Transfers Out	-	(64,000)	-	(64,000)
Total Other Financing Sources (Uses)	<u>64,000</u>	<u>(64,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH FUND BALANCES	25,203	2,944	22,745	50,892
Fund Balances - Beginning	<u>357,389</u>	<u>267,374</u>	<u>40,298</u>	<u>665,061</u>
FUND BALANCES - ENDING	<u>\$ 382,592</u>	<u>\$ 270,318</u>	<u>\$ 63,043</u>	<u>\$ 715,953</u>

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

Despite its somewhat misleading name, 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, 2008**

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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Cash

1. Cash, Cash Equivalents, and Investments

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 balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the District's investments. All investments are recorded at cost.

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 County is the collecting agency for the levy and then remits the collections to the District. The District receives its taxes in two installments in June and December.

The property tax levy in 2008 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 disbursement 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

By 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, 2008**

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 during the year (June and December)

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

At December 31, 2008, there were no compliance issues to be noted.

NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Deposits

Minn. Stat. §§ 118A.04 and 118A.05 authorize the types of investments available to the Treasurer. Investments are stated at fair value.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

A. Assets (Continued)

Deposits (Continued)

Reconciliation of the District's total cash and investments to the basic financial statements follows:

Governmental Funds	
Cash and Cash Equivalents	\$ 5,685
Investments	710,268
Total Governmental Funds	<u>\$ 715,953</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all District deposits be protected 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 institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial Credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District. It is the District's policy that collateral or bonds will be required for all uninsured amounts on deposit, and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2008, the District's deposits were not exposed to custodial credit risk.

The government unit is not exposed to risks of concentration of credit risk, interest rate risk, or foreign currency risk.

B. Restricted Cash

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

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Long-Term Debt

Schedule of Indebtedness as of December 31, 2008, is as follows:

<u>LONG-TERM INDEBTEDNESS</u>	<u>INTEREST RATE</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING JANUARY 1, 2008</u>	<u>ISSUED IN 2008</u>	<u>PAID IN 2008</u>	<u>OUTSTANDING DECEMBER 31, 2008</u>
MPCA-SRF0031 Assessments (Original \$300,062)	2.00%	9/3/2002	6/15/2012	\$ 138,545	\$ -	\$ 31,385	\$ 107,160
MPCA-SRF0043 Assessments (Original \$71,062)	2.00%	7/1/2003	6/15/2013	40,245	-	7,231	33,014
Total Long-Term Indebtedness				<u>\$ 178,790</u>	<u>\$ -</u>	<u>\$ 38,616</u>	<u>\$ 140,174</u>

<u>LONG-TERM INDEBTEDNESS</u>	<u>DUE WITHIN ONE YEAR</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
MPCA-SRF0031 Assessments	\$ 32,106	\$ 1,894
MPCA-SRF0043 Assessments	7,404	596
Total Long-Term Indebtedness	<u>\$ 39,510</u>	<u>\$ 2,490</u>

The annual debt service requirements to maturity for long-term debt as of December 31, 2008, are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>LONG-TERM INDEBTEDNESS</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2009	\$ 39,510	\$ 2,490	\$ 42,000
2010	40,179	1,821	42,000
2011	40,990	1,010	42,000
2012	16,913	261	17,174
2013	2,582	26	2,608
Total	<u>\$ 140,174</u>	<u>\$ 5,608</u>	<u>\$ 145,782</u>

NOTE 4 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Plan Description (Continued)

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.

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.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Plan Description (Continued)

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, 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.

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 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% 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, 6.5% for Coordinated Plan PERF members, 12.9% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006, were \$10,911, \$9,143, and \$7,926, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 5 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, 2008, 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.

NOTE 6 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.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 CONTINGENCIES (CONTINUED)

Minnesota Statute 103D.905, Subd. 3 states that: **General Fund** (A General Fund consisting of an ad valorem tax levy, may not exceed 0.048 percent of taxable market value, or \$250,000, whichever is less). The balance of the survey and data acquisition fund may not exceed \$50,000. The District should determine whether the \$382,592 fund balance at December 31, 2008 is in violation of this Statute and consult with the Office of the State Auditor, if necessary.

NOTE 7 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 2008 was \$13,287.

COMBINING AND INDIVIDUAL FUND SECTION

**PELICAN RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Beginning Budgetary Fund Balance - January 1	\$ 357,389	\$ 357,389	\$ 357,389	\$ -
RECEIPTS				
Property Taxes	215,000	215,000	202,430	(12,570)
Intergovernment				
Market Value	-	-	16,091	16,091
PERA	-	-	308	308
Interest	4,000	4,000	5,343	1,343
Other	23,308	23,308	-	(23,308)
Total Receipts	<u>242,308</u>	<u>242,308</u>	<u>224,172</u>	<u>(18,136)</u>
OTHER FINANCING SOURCES				
Transfers From:				
Special Revenue Funds	56,000	56,000	64,000	8,000
Total Other Financing Sources	<u>56,000</u>	<u>56,000</u>	<u>64,000</u>	<u>8,000</u>
 Total Receipts and Other Financing Sources	 <u>298,308</u>	 <u>298,308</u>	 <u>288,172</u>	 <u>(10,136)</u>
 Amounts Available for Appropriations	 <u>655,697</u>	 <u>655,697</u>	 <u>645,561</u>	 <u>(10,136)</u>
DISBURSEMENTS				
General Government				
Current				
Payroll	199,750	199,750	170,123	29,627
Office	53,250	53,250	36,524	16,726
Manger	19,000	19,000	15,137	3,863
Professional	11,000	11,000	27,875	(16,875)
Conservation of Natural Resources				
Current				
Harvest	49,230	49,230	6,180	43,050
Capital Outlay	15,000	15,000	7,130	7,870
Total Disbursements	<u>347,230</u>	<u>347,230</u>	<u>262,969</u>	<u>84,261</u>
 BUDGETARY FUND BALANCE - DECEMBER 31	 <u>\$ 308,467</u>	 <u>\$ 308,467</u>	 <u>\$ 382,592</u>	 <u>\$ 74,125</u>

**PELICAN RIVER WATERSHED DISTRICT
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008**

	SURVEY AND DATA	
	ACQUISITION	UTILITY
RECEIPTS		
Property Taxes	\$ 186	\$ -
Special Assessments	-	-
Permit and Inspection Fees	-	2,700
Charges for Services	-	115,349
Interest	807	2,492
Other	-	2,000
Total Receipts	993	122,541
DISBURSEMENTS		
Conservation of Natural Resources		
Current		
Payroll	11,781	-
Office	1,276	712
Harvest	-	-
Manager	-	-
Monitor	7,853	-
Professional	-	35,305
Ditch	-	-
Debt Service		
Principal	-	38,616
Interest	-	3,384
Total Disbursements	20,910	78,017
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,917)	44,524
OTHER FINANCING SOURCES (USES)		
Transfers Out	-	(40,000)
Total Other Financing (Uses)	-	(40,000)
NET CHANGE IN CASH FUND BALANCES	(19,917)	4,524
Fund Balance - Beginning	52,294	135,975
FUND BALANCE - ENDING	\$ 32,377	\$ 140,499

REPAIRS AND MAINTENANCE FUNDS

1B	1C	DITCH 11-12	DITCH 13	DITCH 14	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186
35,787	84,912	201	273	12	121,185
-	-	-	-	-	2,700
-	-	-	-	-	115,349
188	510	307	283	262	4,849
-	-	-	-	-	2,000
<u>35,975</u>	<u>85,422</u>	<u>508</u>	<u>556</u>	<u>274</u>	<u>246,269</u>
16,708	17,689	-	-	-	46,178
183	108	42	42	42	2,405
6,403	34,431	-	-	-	40,834
84	75	-	-	-	159
-	-	-	-	-	7,853
1,190	1,289	-	-	-	37,784
-	-	754	1,358	-	2,112
-	-	-	-	-	38,616
-	-	-	-	-	3,384
<u>24,568</u>	<u>53,592</u>	<u>796</u>	<u>1,400</u>	<u>42</u>	<u>179,325</u>
<u>11,407</u>	<u>31,830</u>	<u>(288)</u>	<u>(844)</u>	<u>232</u>	<u>66,944</u>
<u>(9,000)</u>	<u>(9,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(64,000)</u>
<u>(9,000)</u>	<u>(9,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(64,000)</u>
2,407	22,830	(2,288)	(2,844)	(1,768)	2,944
<u>9,595</u>	<u>22,154</u>	<u>17,082</u>	<u>15,722</u>	<u>14,552</u>	<u>267,374</u>
<u>\$ 12,002</u>	<u>\$ 44,984</u>	<u>\$ 14,794</u>	<u>\$ 12,878</u>	<u>\$ 12,784</u>	<u>\$ 270,318</u>

**PELICAN RIVER WATERSHED DISTRICT
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2008**

	CONSTRUCTION AND IMPLEMENTATION FUNDS		TOTAL
	CWP	DNR	
RECEIPTS			
Intergovernment			
Grant	\$ 30,000	\$ -	\$ 30,000
Interest	1,165		1,165
Total Receipts	<u>31,165</u>	<u>-</u>	<u>31,165</u>
DISBURSEMENTS			
Conservation of Natural Resources			
Current			
Payroll	155	-	155
Office	699	-	699
Manager	2,296	-	2,296
Professional	2,391	2,879	5,270
Total Disbursements	<u>5,541</u>	<u>2,879</u>	<u>8,420</u>
NET CHANGE IN CASH FUND BALANCES	25,624	(2,879)	22,745
Fund Balance - Beginning	<u>40,298</u>	<u>-</u>	<u>\$ 40,298</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 65,922</u>	<u>\$ (2,879)</u>	<u>\$ 63,043</u>

SUPPLEMENTAL INFORMATION SECTION (UNAUDITED)

**PELICAN RIVER WATERSHED DISTRICT
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2008**

<u>LONG-TERM INDEBTEDNESS</u>	<u>INTEREST RATE</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING JANUARY 1, 2008</u>	<u>ISSUED IN 2008</u>	<u>PAID IN 2008</u>	<u>OUTSTANDING DECEMBER 31, 2008</u>
MPCA-SRF0031 Assessments (Original \$300,062)	2.00%	9/3/2002	6/15/2012	\$ 138,545	\$ -	\$ 31,385	\$ 107,160
MPCA-SRF0043 Assessments (Original \$71,062)	2.00%	7/1/2003	6/15/2013	<u>40,245</u>	<u>-</u>	<u>7,231</u>	<u>33,014</u>
Total Long-Term Indebtedness				<u>\$ 178,790</u>	<u>\$ -</u>	<u>\$ 38,616</u>	<u>\$ 140,174</u>

**PELICAN RIVER WATERSHED DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2008**

FUND	SOURCE OF REVENUE AND PURPOSE	AMOUNT
General	Ad Valorem	\$ 5,524
Special Revenue	Special Assessment	2,202
	Total	<u>\$ 7,726</u>

**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2008**

FUND	VENDOR NAME	CLAIM NUMBER	AMOUNT
General	Briggs, Ramstad & Skoyles	11432	\$ 1,155
General	Central Market	11433	130
General	ESRI	11434	2,173
General	Noah & Associates	11436	1,680
General	Reliable	11439	459
General	Wenck Associates	11441	175
	Total		<u>\$ 5,772</u>

OTHER REPORTS SECTION

MATHIAS C. JUSTIN, LTD.
Certified Public Accountants

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

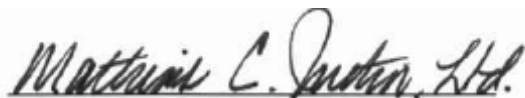
We have audited the financial statements of the Pelican River Watershed District as of and for the year ended December 31, 2008, and have issued our report thereon dated June 22, 2009.

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 22, 2009