

**PELICAN RIVER WATERSHED DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021**

PELICAN RIVER WATERSHED DISTRICT

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INTRODUCTORY SECTION

**PELICAN RIVER WATERSHED DISTRICT
PRINCIPAL OFFICIALS
DECEMBER 31, 2021**

POSITION	TERMS EXPIRE	NAME
<u>BOARD OF MANAGERS</u>		
President	May 2022	Dennis Kral
Vice President	May 2024	Orrin Okeson
Treasurer	May 2022	Rick Michaelson
Secretary	May 2022	Janice Haggart
Manager	May 2023	Ginny Imholte
Manager	May 2024	Charlie Jasken
Manager	May 2023	Chris Jasken
<u>STAFF</u>		
Administrator		Tera Guetter
Auditor		Clasen & Schiessl CPAs, Ltd.

FINANCIAL SECTION



Clasen & Schiessl CPAs, Ltd.
Consultants & Accountants

PO Box 90, Pequot Lakes, MN 56472

(218) 568-5242 Fax (218) 568-8680

Visit us at lakesareacpas.com

INDEPENDENT AUDITOR'S REPORT

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

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pelican River Watershed District (the District), Detroit Lakes, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively compromise the Pelican River Watershed District's basic financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities, each major fund and the aggregate remaining fund information, of Pelican River Watershed District, as of December 31, 2021, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pelican River Watershed District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pelican River Watershed District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the District on the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pelican River Watershed District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pelican River Watershed District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pelican River Watershed District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and supplementary information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated June 13, 2022, on our consideration of the District's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. The purpose of the report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Clasen & Schiessl CPAs, Ltd.

Clasen & Schiessl CPAs, Ltd.
Consultants & Accountants

Pequot Lakes, Minnesota
June 13, 2022

**PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION - CASH BASIS
DECEMBER 31, 2021**

	<u>GOVERNMENTAL</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 1,904,993</u>
Total Assets	<u>1,904,993</u>
LIABILITIES	<u>-</u>
NET CASH POSITION	
Restricted for:	
Capital Projects	674,974
Special Revenue	542,404
Unrestricted	<u>687,615</u>
Total Net Cash Position	<u><u>\$ 1,904,993</u></u>

**PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM
CASH TRANSACTIONS - CASH BASIS
YEAR ENDED DECEMBER 31, 2021**

FUNCTIONS/PROGRAMS	PROGRAM RECEIPTS AND SOURCES				NET CASH SOURCES (USES) AND CHANGES IN NET CASH POSITION
	DISBURSE- MENTS	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT
					GOVERNMENTAL ACTIVITIES
Primary Government					
Governmental Activities					
Program					
Aquatic Plant Management	\$ 58,532	\$ -	\$ -	\$ -	\$ (58,532)
Ditch	2,796	-	-	-	(2,796)
Other	65,774	-	-	-	(65,774)
Support Services					
Payroll	266,757	-	-	-	(266,757)
Other	183,477	310,011	-	-	126,534
Capital Outlay	712,718	-	-	-	(712,718)
Total Primary/Governmental Activities	<u>\$ 1,290,054</u>	<u>\$ 310,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(980,043)</u>
General Receipts					
Property Taxes					266,786
Special Assessments					81,369
State Aid					453,854
Interest Income					462
Other Revenue					<u>30,268</u>
Total General Receipts					<u>832,739</u>
Change in Cash Net Position					(147,304)
Net Cash Position - Beginning					<u>2,052,297</u>
Net Cash Position - Ending					<u>\$ 1,904,993</u>

**PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM
CASH TRANSACTIONS - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>GENERAL</u>	<u>UTILITY STORMWATER</u>	<u>LAKE MGMT PROJECT-01</u>	<u>RICE LAKE MATCH</u>
ASSETS				
Cash and Cash Equivalents	\$ 689,899	\$ 338,541	\$ 306,578	\$ 352,751
Total Assets	<u>\$ 689,899</u>	<u>\$ 338,541</u>	<u>\$ 306,578</u>	<u>\$ 352,751</u>
LIABILITIES				
Cash and Cash Equivalents Deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FUND BALANCES				
Restricted	-	338,541	306,578	352,751
Assigned	-	-	-	-
Unassigned (Deficit)	<u>689,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Fund Balances (Deficit)	<u>689,899</u>	<u>338,541</u>	<u>306,578</u>	<u>352,751</u>
Total Liabilities and Cash Fund Balances	<u>\$ 689,899</u>	<u>\$ 338,541</u>	<u>\$ 306,578</u>	<u>\$ 352,751</u>

RICE LAKE BWSR	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>\$ -</u>	<u>\$ 323,709</u>	<u>\$ 2,011,478</u>
<u><u>\$ -</u></u>	<u><u>\$ 323,709</u></u>	<u><u>\$ 2,011,478</u></u>

<u>\$ 106,485</u>	<u>\$ -</u>	<u>\$ 106,485</u>
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-	219,508	1,217,378
-	104,201	104,201
<u>(106,485)</u>	<u>-</u>	<u>583,414</u>

<u>(106,485)</u>	<u>323,709</u>	<u>1,904,993</u>
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<u><u>\$ -</u></u>	<u><u>\$ 323,709</u></u>	<u><u>\$ 2,011,478</u></u>
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PELICAN RIVER WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	GENERAL	UTILITY STORMWATER	LAKE MGMT PROJECT-01	RICE LAKE MATCH
RECEIPTS				
Property Taxes	\$ 256,760	\$ -	\$ 10,022	\$ -
Special Assessments	-	-	-	-
Permit and Inspection Fees	-	30,100	-	-
Intergovernmental				
Market Value	885	-	-	-
Other	602	-	1,274	-
Charges for Services	-	310,011	-	-
Interest Earnings	142	76	66	69
Other	122	-	-	-
Total Receipts	<u>258,511</u>	<u>340,187</u>	<u>11,362</u>	<u>69</u>
DISBURSEMENTS				
General Government				
Current				
Payroll	266,757	-	-	-
Operating Expenses	44,085	68,634	-	-
Manager Per Diem/Expenses	15,474	-	-	-
Professional Services	25,849	27,553	-	-
Community Relations	1,548	-	334	-
Conservation of Natural Resources				
Current				
Payroll	-	-	710	-
Operating Expenses	-	-	7	-
Aquatic Plant Management	-	-	1,274	-
Professional Services	-	-	-	-
Ditch	-	-	-	-
Other Program	-	-	447	-
Capital Outlay	-	-	17,274	173,861
Total Disbursements	<u>353,713</u>	<u>96,187</u>	<u>20,046</u>	<u>173,861</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(95,202)</u>	<u>244,000</u>	<u>(8,684)</u>	<u>(173,792)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	74,500	-	-	150,000
Transfers (Out)	-	(203,000)	(16,000)	-
Total Other Financing Sources (Uses)	<u>74,500</u>	<u>(203,000)</u>	<u>(16,000)</u>	<u>150,000</u>
NET CHANGE IN CASH FUND BALANCES	(20,702)	41,000	(24,684)	(23,792)
Cash Fund Balances - Beginning	<u>710,601</u>	<u>297,541</u>	<u>331,262</u>	<u>376,543</u>
CASH FUND BALANCES - ENDING (DEFICIT)	<u>\$ 689,899</u>	<u>\$ 338,541</u>	<u>\$ 306,578</u>	<u>\$ 352,751</u>

RICE LAKE BWSR	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 4	\$ 266,786
-	81,369	81,369
-	-	30,100
-	-	885
415,054	36,039	452,969
-	-	310,011
44	65	462
-	46	168
<u>415,098</u>	<u>117,523</u>	<u>1,142,750</u>

-	-	266,757
-	-	112,719
-	-	15,474
-	-	53,402
-	-	1,882

-	34,566	35,276
-	17,829	17,836
-	57,258	58,532
-	2,135	2,135
-	2,796	2,796
-	10,080	10,527
521,583	-	712,718
<u>521,583</u>	<u>124,664</u>	<u>1,290,054</u>
<u>(106,485)</u>	<u>(7,141)</u>	<u>(147,304)</u>

-	11,500	236,000
-	(17,000)	(236,000)
-	(5,500)	-
<u>(106,485)</u>	<u>(12,641)</u>	<u>(147,304)</u>
-	336,350	2,052,297
<u>\$ (106,485)</u>	<u>\$ 323,709</u>	<u>\$ 1,904,993</u>

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Pelican River Watershed District (the District) was established on May 27, 1966, under the Minnesota Watershed Act as amended by the State of Minnesota, Water Resources Board. The purpose of the District is to carry out conservation of the natural resources of the District and State of Minnesota through land utilization, flood control, and other needs based upon sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. The District is governed by a Board of Managers which is composed of seven members appointed for three year terms by the Becker County Commissioners.

The financial statements of the reporting entity include those of the District (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or the potential component unit is fiscally dependent upon the District.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District or the component unit provides services entirely to the District. These component unit's funds are blended into those of the District by appropriate activity type to compose the primary government presentation. Currently, the District has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

B. Basis of Presentation

1. Government-Wide Statements

The government-wide financial statements (the statement of net cash position and the statement of activities arising from cash transactions) display information about the District taken as a whole. The District shows all operations as governmental activities, because generally, governmental activities are financed through taxes, intergovernmental revenues, and nonexchange revenues.

In the government-wide statement of net cash position, the governmental activities: (a) are presented on a consolidated basis, and (b) are reported on the cash basis of accounting. The District's net position is reported in two parts: (1) restricted net position, and (2) unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

1. Government-Wide Statements (Continued)

The statement of activities arising from cash transactions demonstrates the degree to which the direct expenses of each function of the District's governmental activities are offset by program receipts. Direct expenses are those clearly identifiable with a specific function or activity. Program receipts include: (1) fees, fines, charges paid by the recipients of goods, services, or privileges provided by a given function or activity, and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Receipts not classified as program receipts, including all taxes, are presented as general receipts.

2. Fund Financial Statements

Governmental fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, receipts, and disbursements. Funds are organized into one major category: governmental. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

Governmental Funds

General Fund – To account for all financial resources not accounted for and reported in another fund.

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

The Utility Stormwater Fund is used for storm-water treatment activities and facilities. The Utility Stormwater 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 (SADAF) 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, is included as part of the project work and the sum is repaid to the Survey and Data Acquisition Fund. Receipts can also come from an ad valorem tax assessed every five years.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Governmental Funds (Continued)

Special Revenue Fund (Continued)

The Project 1B Sal & Mel and 1C Detroit & Curfman (Aquatic Plant Management) 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 Projects Fund - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Major and Nonmajor Funds

Fund	Purpose
Governmental:	
Major:	
General	As described above.
Utility Stormwater	See special revenue fund described above.
Lake Management Project-01	See capital projects fund described above.
Rice Lake Match	See capital projects fund described above.
Rice Lake BWSR	See capital projects fund described above.
Nonmajor:	
Special Revenue	As described above.
Capital Projects	As described above.

C. Measurement Focus and Basis of Accounting

The District's financial statements are prepared on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The government-wide financial statements are reported using the current resources measurement focus, within the limitations of the cash basis of accounting. This basis recognizes assets, liabilities, net cash position, receipts, and disbursements when they result from cash transactions.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus as applied to the cash basis of accounting. This basis recognizes assets, liabilities, cash fund balances, receipts, and disbursements when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or unbilled services provided in the current year) and certain liabilities and their related disbursements (such as accounts payable, unpaid goods and services received in the current year, and accrued expenses) are not recorded in these financial statements.

D. Assets, Liabilities, and Fund Balance/Net Position

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 balance in the pooled cash account is available to meet current operating requirements.

2. Fund Balance/Net Position

a. Government-Wide Statements:

Net Cash Position is divided into two components:

- **Restricted** – Consists of assets that are restricted by the District's creditors (for example, through debt covenants), by grantors (both federal and state), and by other contributors.
- **Unrestricted** – All other assets are reported in this category.

b. Governmental Cash Fund Balances:

In the fund financial statements, cash fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in Governmental Funds.

Cash fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. There is no nonspendable cash fund balance at December 31, 2021.
- **Restricted** – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balance/Net Position (Continued)

2. Fund Balance/Net Position (Continued)

b. Governmental Cash Fund Balances: (Continued)

Cash fund balances are classified as follows: (Continued)

- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by the Board of Managers ordinance or resolution. There is no committed cash fund balance at December 31, 2021.
- **Assigned** – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. In Governmental Funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself.
- **Unassigned** – Amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District has not formally adopted a fund balance policy for the General Fund.

c. Use of Restricted Resources:

The District does not have a fund balance policy. When a disbursement is incurred that can be paid using either restricted or unrestricted resources, it is expected that the Board of Managers will first apply the disbursement toward restricted fund balance/net position and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances, in the fund financial statements.

3. Capital Assets

In the Fund Financial Statements, capital assets used in governmental fund operations are accounted for as capital outlay disbursements of the governmental funds upon acquisition.

Capital assets include property, plant and equipment.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receipts and Disbursements

1. Property Tax Revenue

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

The District also levies special assessments through the counties against property owners who obtain direct benefits from projects. The special assessment collections are recorded in a manner similar to that for property taxes.

The property tax levy in 2021 includes certain state credits that are distributed to the District directly by the state. These credits are classified as intergovernmental receipts.

2. Disbursements

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

In the fund financial statements, disbursements are classified as follows:

Governmental Funds – By Character	Current (further classified by function) Capital Outlay
-----------------------------------	--

F. Budgetary Information

Annual budgets are adopted on the cash basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted or as amended by the Board of Managers. The original and final budget for the General Fund and the major special revenue fund are presented in the supplementary information section. All annual appropriations lapse at year-end.

G. Use of Estimates

The preparation of financial statements in accordance with the 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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Disclosure of certain information concerning individual funds include:

- The following fund had a deficit cash fund balance as of December 31, 2021:

Rice Lake BWSR	\$ 106,485
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**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

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 Cash Equivalents. 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.

1. Deposits

The District is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount of deposit at the close of the financial institution's banking day, not covered by insurance, bonds, or an irrevocable standby letter of credit issued by the Federal Home Loan Bank.

Custodial Credit Risk

The risk that in the event of a financial institution failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk. At December 31, 2021, the District's deposits were entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral in accordance with Minnesota Statutes.

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 that is not owned or controlled by the financial institution furnishing the collateral.

Cash balances consist of the following at December 31, 2021:

Carrying Balance	Bank Balance
<u>\$ 1,904,993</u>	<u>\$ 1,905,293</u>

2. Investments

The District may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, Subd.6;
- mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

2. Investments (Continued)

The District may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05: (Continued)

- general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- bankers' acceptances of United States banks;
- commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

The risk 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 can manage 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

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 state statute.

Custodial Credit Risk

The risk that, in the event of the failure of the counterparty to a transaction, 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.

Concentration of Credit Risk

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.

The District had no investments at December 31, 2021.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

B. Interfund Transfers

Transfers Out:		Transfers in:		
Fund Description	Amount	Fund Description	Amount	Description
1 1B Sal & Mel	\$ 4,000	General	\$ 4,000	For administrative expenses
2 1C Detroit & Curfman	4,000	General	4,000	For administrative expenses
3 Ditch 11-12	1,000	General	1,000	For administrative expenses
4 Ditch 14	1,000	General	1,000	For administrative expenses
5 Ditch 13	1,500	General	1,500	For administrative expenses
6 Utility Stormwater	50,000	General	50,000	For administrative expenses
7 Lake Mgmt Project-01	12,000	General	12,000	For administrative expenses
8 Lake Mgmt Project-01	4,000	SADAF (Survey)	4,000	For administrative expenses
9 1B Sal & Mel	2,250	Project Implementation	2,250	For operating expenses
10 1C Detroit & Curfman	2,250	Project Implementation	2,250	For operating expenses
11 Utility Stormwater	150,000	Rice Lake Match	150,000	For matching funds for the grant
12 BWSR Drainage	1,000	General	1,000	For administrative expenses
13 Utility Stormwater	3,000	SADAF (Survey)	3,000	For project effectiveness monitoring
	<u>\$ 236,000</u>		<u>\$ 236,000</u>	

C. Long-Term Liabilities

Compensated Absences

The change in accrued compensated absences for the year ended December 31, 2021, was as follows:

	Beginning			Ending	Due Within
Governmental Activities	Balance	Additions	Deductions	Balance	One Year
Other Liabilities					
Accrued Compensated					
Absences	<u>\$ 15,489</u>	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 14,270</u>	<u>\$ -</u>

The liability for this amount is not recorded in the fund financial statements as they are prepared on the cash basis of accounting.

Accrued compensated absences are payable from the General Fund.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Cash Fund Balances

At December 31, 2021, Governmental Cash Fund Balances consist of the following:

	General	Utility Stormwater	Lake Mgmt Project -01	Rice Lake Match	Rice Lake BWSR	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:							
Capital Projects	\$ -	\$ -	\$ 306,578	\$ 352,751	\$ -	\$ 15,645	\$ 674,974
Special Revenue	-	338,541	-	-	-	203,863	542,404
Total Restricted	-	338,541	306,578	352,751	-	219,508	1,217,378
Assigned for:							
Special Revenue	-	-	-	-	-	104,201	104,201
Unassigned (Deficit)	689,899	-	-	-	(106,485)	-	583,414
Total Cash Fund Balances	<u>\$ 689,899</u>	<u>\$ 338,541</u>	<u>\$ 306,578</u>	<u>\$ 352,751</u>	<u>\$ (106,485)</u>	<u>\$ 323,709</u>	<u>\$ 1,904,993</u>

NOTE 4 OTHER NOTES

A. Contracts

Wells Fargo Bank

The District entered into a lease agreement for office facilities with Wells Fargo Bank requiring monthly lease payments of \$1,300. Total rental expense for 2021 was \$15,595.

B. Defined Benefit Pension Plan

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 General Employees Retirement Plan (accounted for in the General Employees Fund), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

General Employees Plan 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.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. The defined benefit retirement plan benefits are based on a member's highest average salary for any five years of allowable service, age, and years of credit at termination of service.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER NOTES (CONTINUED)

B. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan 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. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 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 65 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Plan. That report may be obtained on PERA's website at www.mnpera.org/about/financial.

**PELICAN RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 OTHER NOTES (CONTINUED)

B. Defined Benefit Pension Plan (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. In 2021, Coordinated Plan members were required to contribute 6.5% of their annual covered salary. The District makes annual contributions to the pension plans equal to the amount required by state statutes. In 2021, the District was required to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan members.

The District's contributions to the General Employees Fund for the years ending December 31, 2021, 2020, and 2019 were \$14,897, \$14,636, and \$13,878, respectively.

C. 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, 2021, 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.

D. 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 grant funds 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 cannot be made.

E. Subsequent Events

Subsequent events have been evaluated through June 13, 2022, the date the financial statements were available to be issued.

The ongoing impact to the organization's operational and financial performance due to COVID-19 will depend on future developments including the duration and spread of the outbreak, continuing pandemic impact, and governmental or other regulatory actions.

SUPPLEMENTARY INFORMATION SECTION

**PELICAN RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	AMOUNTS	
Beginning Cash Fund Balance - January 1	\$ 710,601	\$ 710,601	\$ 710,601	\$ -
RECEIPTS				
Property Taxes	257,000	257,000	256,760	(240)
Intergovernmental				
Market Value	-	-	885	885
Other	308	308	602	294
Interest Earnings	2,000	2,000	142	(1,858)
Other	-	-	122	122
Total Receipts	<u>259,308</u>	<u>259,308</u>	<u>258,511</u>	<u>(797)</u>
OTHER FINANCING SOURCES				
Transfers From:				
Special Revenue Funds	61,500	61,500	61,500	-
Capital Projects Funds	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Total Other Financing Sources	<u>74,500</u>	<u>74,500</u>	<u>74,500</u>	<u>-</u>
 Total Receipts and Other Financing Sources	<u>333,808</u>	<u>333,808</u>	<u>333,011</u>	<u>(797)</u>
 Amounts Available for Appropriation	<u>1,044,409</u>	<u>1,044,409</u>	<u>1,043,612</u>	<u>(797)</u>
DISBURSEMENTS				
General Government				
Current				
Payroll	288,000	288,000	266,757	21,243
Operating Expenses	53,495	53,495	44,085	9,410
Manager Per Diem/Expenses	33,000	33,000	15,474	17,526
Professional Services	59,375	59,375	25,849	33,526
Community Relations	<u>4,200</u>	<u>4,200</u>	<u>1,548</u>	<u>2,652</u>
Total Disbursements (Charges to Appropriations)	<u>438,070</u>	<u>438,070</u>	<u>353,713</u>	<u>84,357</u>
 CASH FUND BALANCE - DECEMBER 31	<u>\$ 606,339</u>	<u>\$ 606,339</u>	<u>\$ 689,899</u>	<u>\$ 83,560</u>

**PELICAN RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
UTILITY STORMWATER FUND
YEAR ENDED DECEMBER 31, 2021**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
Beginning Cash Fund Balance - January 1	\$ 297,541	\$ 297,541	\$ 297,541	\$ -
RECEIPTS				
Permit and Inspection Fees	13,000	13,000	30,100	17,100
Charges for Services	305,000	305,000	310,011	5,011
Interest Earnings	800	800	76	(724)
Total Receipts	318,800	318,800	340,187	21,387
Amounts Available for Appropriation	616,341	616,341	637,728	21,387
DISBURSEMENTS				
General Government				
Current				
Community Relations	2,500	2,500	-	2,500
Conservation of Natural Resources				
Current				
Operating Expenses	81,200	81,200	68,634	12,566
Professional Services	53,800	53,800	27,553	26,247
Total Disbursements	137,500	137,500	96,187	41,313
OTHER FINANCING USES				
Transfers To:				
General Fund	50,000	50,000	50,000	-
Special Revenue Funds	3,000	3,000	3,000	-
Capital Projects Funds	150,000	150,000	150,000	-
Total Other Financing Uses	203,000	203,000	203,000	-
Total Disbursements and Other Financing Uses (Charges to Appropriations)	340,500	340,500	299,187	41,313
CASH FUND BALANCE - DECEMBER 31	\$ 275,841	\$ 275,841	\$ 338,541	\$ 62,700

PELICAN RIVER WATERSHED DISTRICT
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	SPECIAL REVENUE FUNDS						
	SADAF (SURVEY)	PROJECT IMPLEMEN- TATION	1B SAL & MEL	1C DETROIT & CURFMAN	DITCH 11-12	DITCH 13	DITCH 14
RECEIPTS							
Property Taxes	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	35,471	45,810	-	2	86
Intergovernmental - Other	-	-	8,000	24,137	-	-	-
Interest Earnings	8	22	13	16	1	1	2
Other	-	46	-	-	-	-	-
Total Receipts	<u>12</u>	<u>68</u>	<u>43,484</u>	<u>69,963</u>	<u>1</u>	<u>3</u>	<u>88</u>
DISBURSEMENTS							
Conservation of Natural Resources							
Current							
Payroll	13,781	-	10,668	10,117	-	-	-
Operating Expenses	1,988	11,989	1,931	1,913	8	-	-
Aquatic Plant Management	-	-	28,335	28,923	-	-	-
Professional Services	560	-	687	888	-	-	-
Ditch	-	-	-	-	821	1,975	-
Other Program	10,080	-	-	-	-	-	-
Total Disbursements	<u>26,409</u>	<u>11,989</u>	<u>41,621</u>	<u>41,841</u>	<u>829</u>	<u>1,975</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(26,397)</u>	<u>(11,921)</u>	<u>1,863</u>	<u>28,122</u>	<u>(828)</u>	<u>(1,972)</u>	<u>88</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	7,000	4,500	-	-	-	-	-
Transfers (Out)	-	-	(6,250)	(6,250)	(1,000)	(1,500)	(1,000)
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>4,500</u>	<u>(6,250)</u>	<u>(6,250)</u>	<u>(1,000)</u>	<u>(1,500)</u>	<u>(1,000)</u>
NET CHANGE IN CASH FUND BALANCES	<u>(19,397)</u>	<u>(7,421)</u>	<u>(4,387)</u>	<u>21,872</u>	<u>(1,828)</u>	<u>(3,472)</u>	<u>(912)</u>
Cash Fund Balances - Beginning	<u>49,094</u>	<u>111,622</u>	<u>67,766</u>	<u>72,068</u>	<u>8,411</u>	<u>4,810</u>	<u>9,838</u>
CASH FUND BALANCES - ENDING	<u>\$ 29,697</u>	<u>\$ 104,201</u>	<u>\$ 63,379</u>	<u>\$ 93,940</u>	<u>\$ 6,583</u>	<u>\$ 1,338</u>	<u>\$ 8,926</u>

CAPITAL
PROJECTS
FUND

BWSR DRAINAGE	TOTAL
\$ -	\$ 4
-	81,369
3,902	36,039
2	65
-	46
<u>3,904</u>	<u>117,523</u>
-	34,566
-	17,829
-	57,258
-	2,135
-	2,796
-	10,080
<u>-</u>	<u>124,664</u>
<u>3,904</u>	<u>(7,141)</u>
-	11,500
<u>(1,000)</u>	<u>(17,000)</u>
<u>(1,000)</u>	<u>(5,500)</u>
2,904	(12,641)
<u>12,741</u>	<u>336,350</u>
<u>\$ 15,645</u>	<u>\$ 323,709</u>

**PELICAN RIVER WATERSHED DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2021**

<u>FUND</u>	<u>SOURCE OF REVENUE AND PURPOSE</u>		<u>AMOUNT</u>
1B Sal & Mel	Becker County	Special Assessments	\$ 587
1C Detroit & Curfman	Becker County	Special Assessments	958
General	Becker County	Property Taxes	4,422
Lake Management Project-01	Becker County	Property Taxes	174
Utility Stormwater	Becker County	Charges for Services	7,712
			<u>\$ 13,853</u>

**SCHEDULE OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2021**

<u>FUND</u>	<u>VENDOR NAME</u>	<u>ITEM AND PURPOSE</u>	<u>CLAIM NUMBER</u>	<u>AMOUNT</u>
General	Haggart, Janice	Manager Per Diems	EFT1806	\$ 651
General	Haggart, Janice	Manager Expenses	EFT1814	22
General	Imholte, Ginny	Manager Per Diems	EFT1807	453
General	Imholte, Ginny	Manager Expenses	EFT1815	34
General	Jasken, Charles	Manager Per Diems	EFT1808	346
General	Jasken, Charles	Manager Expenses	EFT1816	18
General	Jasken, Chris	Manager Per Diems	EFT1809	346
General	Jasken, Chris	Manager Expenses	EFT1817	8
General	Kral, Dennis	Manager Per Diems	EFT1810	859
General	Kral, Dennis	Manager Expenses	EFT1818	28
General	Lakes Computer, Inc.	Computer Issues	EFT1821	800
General	Michaelson, R	Manager Per Diems	EFT1811	494
General	Michaelson, R	Manager Expenses	EFT1819	39
General	Office of MN IT Services	Telephone	14930	67
General	Okeson, O	Manager Per Diems	EFT1812	305
General	Okeson, O	Manager Expenses	EFT1820	34
General	Premium Waters	Office Supplies	14931	7
General	Stantec Consulting	Attend Board Meeting	EFT1822	200
General	Xerox Corp	Lease Payment	EFT1824	177
General	Xerox Corp	Monthly print charge	EFT1824	77
Rice Lake BWSR	Houston Engineering	Engineering	14933	2525
Rice Lake Match	Houston Engineering	Engineering	14933	842
				<u>\$ 8,332</u>

OTHER REPORT SECTION



Clasen & Schiessl CPAs, Ltd.
Consultants & Accountants

PO Box 90, Pequot Lakes, MN 56472

(218) 568-5242 Fax (218) 568-8680

Visit us at lakesareacpas.com

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Pelican River Watershed District, Detroit Lakes, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 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 District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Clasen & Schiessl CPAs, Ltd.

Clasen & Schiessl CPAs, Ltd.
Consultants & Accountants

Pequot Lakes, Minnesota
June 13, 2022