

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2020**

**Nadine Julson, LLC**

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**TABLE OF CONTENTS**  
**December 31, 2020**

---

|  | <u>Page(s)</u> |
|--|----------------|
| Official Directory (Unaudited)   | 1              |
| <b>INDEPENDENT AUDITOR’S REPORT</b>  | 2 – 4          |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                |
| Statement of Net Cash Position   | 5              |
| Statement of Activities Arising from Cash Transactions   | 6              |
| Statement of Balances Arising from Cash Transactions – Governmental Funds  | 7              |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances – Governmental Funds  | 8              |
| Notes to Financial Statements  | 9 – 12         |
| <b>OTHER SUPPLEMENTARY INFORMATION</b>   |                |
| Budgetary Comparison Schedule – Cash Basis – General Fund  | 13             |
| Combining Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances – Nonmajor Governmental Funds   | 14             |
| Schedule of Accounts Payable   | 15             |
| Statement of Receipts, Disbursements, and Changes in Cash Fund Balances – Capital Projects Funds   | 16             |
| <b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | 17 – 18        |
| <b>INDEPENDENT AUDITOR’S REPORT ON <i>MINNESOTA LEGAL COMPLIANCE</i></b>   | 19             |
| Schedule of Findings and Questioned Costs  | 20 – 21        |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**OFFICIAL DIRECTORY**  
**December 31, 2020**

---

| <u>Board Members</u> | <u>Title</u> | <u>3 Year Term Expires August</u> |
|----------------------|--------------|-----------------------------------|
| Bert McDonough       | Chair        | 2021                              |
| Bob Leonard          | Vice Chair   | 2022                              |
| David Stene          | Treasurer    | 2022                              |
| Dave Haarstad        | Secretary    | 2021                              |
| Erika Gilsdorf       | Board Member | 2021                              |
| Karen Hart           | Board Member | 2023                              |
| John Kruse           | Board Member | 2022                              |
| Nick Valentine       | Board Member | 2023                              |



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pelican Group of Lakes Improvement District  
Pelican Rapids, Minnesota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pelican Group of Lakes Improvement District, Pelican Rapids, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Basis for 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 Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the District as of December 31, 2020, or changes in financial position and, where applicable, cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

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 District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pelican Group of Lakes Improvement District’s financial statements as a whole. The official directory, budgetary comparison schedule – cash basis – general fund, combining fund statement – nonmajor governmental funds, schedule of accounts payable, and statement of receipts, disbursements, and changes in cash fund balances – capital projects funds are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedule – cash basis – general fund, combining fund statement – nonmajor governmental funds, schedule of accounts payable, and statement of receipts, disbursements, and changes in cash fund balances – capital projects funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued a report dated March 31, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* audit in considering the District’s internal control over financial reporting and compliance.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated March 31, 2021, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Other Political Subdivisions in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

*Nadine Julson, LLC*

Nadine Julson, LLC  
Wahpeton, ND  
March 31, 2021

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**STATEMENT OF NET CASH POSITION**  
**December 31, 2020**

---

|                           | <u>Governmental<br/>Activities</u> |
|---------------------------|------------------------------------|
| Assets                    |                                    |
| Cash and Cash Equivalents | \$ 181,662                         |
| Net Cash Position         |                                    |
| Unrestricted              | <u>181,662</u>                     |
| Total Net Cash Position   | <u><u>\$ 181,662</u></u>           |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS**  
**Year Ended December 31, 2020**

| Functions/Programs                   | Disbursements | Program Receipts and Sources |                                     | Net Cash Sources<br>(Uses) and Changes<br>in Net Cash<br>Position |
|--------------------------------------|---------------|------------------------------|-------------------------------------|---|
|                                      |               | Charges for<br>Services      | Capital Grants and<br>Contributions | Primary Government<br>Governmental<br>Activities                  |
| Primary Government                   |               |                              |                                     |   |
| Governmental Activities              |               |                              |                                     |   |
| General Government                   | \$ 6,767      | \$ -                         | \$ -                                | \$ (6,767)  |
| Conservation of Natural Resources    | 529,831       | -                            | 459,928                             | (69,903)  |
| Total Governmental Activities        | 536,598       | -                            | 459,928                             | (76,670)  |
| General Receipts                     |               |                              |                                     |   |
| Property Taxes                       |               |                              |                                     | 129,456   |
| Intergovernmental                    |               |                              |                                     | 753   |
| Investment Earnings                  |               |                              |                                     | 34  |
| Miscellaneous                        |               |                              |                                     | 1,067   |
| Total General Receipts               |               |                              |                                     | 131,310   |
| Change in Net Cash Position          |               |                              |                                     | 54,640  |
| Net Cash Position, Beginning of Year |               |                              |                                     | 127,022   |
| Net Cash Position, End of Year       |               |                              |                                     | \$ 181,662  |



**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUNDS**  
**December 31, 2020**

|                           | Major Funds  |                               |                                | Total<br>Governmental<br>Funds |
|---------------------------|--------------|-------------------------------|--------------------------------|--------------------------------|
|                           | General Fund | Lizzie & Prairie<br>Lake Dams | Other<br>Governmental<br>Funds |                                |
| Assets                    |              |                               |                                |                                |
| Cash and Cash Equivalents | \$ 181,662   | \$ -                          | \$ -                           | \$ 181,662                     |
| Cash Fund Balance         |              |                               |                                |                                |
| Assigned                  | 145,000      | -                             | -                              | 145,000                        |
| Unassigned                | 36,662       | -                             | -                              | 36,662                         |
| Total Cash Fund Balance   | \$ 181,662   | \$ -                          | \$ -                           | \$ 181,662                     |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES – GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2020**

|   | Major Funds  |                               |                                | Total<br>Governmental<br>Funds |
|---|--------------|-------------------------------|--------------------------------|--------------------------------|
|   | General Fund | Lizzie & Prairie<br>Lake Dams | Other<br>Governmental<br>Funds |                                |
| <b>RECEIPTS</b>                             |              |                               |                                |                                |
| Taxes                                       | \$ 129,456   | \$ -                          | \$ -                           | \$ 129,456                     |
| Intergovernmental Receipts                  | 753          | 418,099                       | 41,829                         | 460,681                        |
| Charges for Services                        | 1,600        | -                             | -                              | 1,600                          |
| Investment Earnings                         | 34           | -                             | -                              | 34                             |
| Miscellaneous                               | 67           | 1,000                         | -                              | 1,067                          |
| Total Receipts                              | 131,910      | 419,099                       | 41,829                         | 592,838                        |
| <b>DISBURSEMENTS</b>                        |              |                               |                                |                                |
| General Government                          | 6,767        | -                             | -                              | 6,767                          |
| Conservation of Natural Resources           | 99,039       | 388,732                       | 43,660                         | 531,431                        |
| Total Disbursements                         | 105,806      | 388,732                       | 43,660                         | 538,198                        |
| Receipts over Disbursements                 | 26,104       | 30,367                        | (1,831)                        | 54,640                         |
| <b>OTHER FINANCING SOURCES</b>              |              |                               |                                |                                |
| Transfer In                                 | 455          | -                             | -                              | 455                            |
| Transfer Out                                | -            | -                             | (455)                          | (455)                          |
| Total Other Financing Sources               | 455          | -                             | (455)                          | -                              |
| <b>NET CHANGE IN CASH FUND BALANCE</b>      | 26,559       | 30,367                        | (2,286)                        | 54,640                         |
| <b>CASH FUND BALANCE, BEGINNING OF YEAR</b> | 155,103      | (30,367)                      | 2,286                          | 127,022                        |
| <b>CASH FUND BALANCE, END OF YEAR</b>       | \$ 181,662   | \$ -                          | \$ -                           | \$ 181,662                     |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2020**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared using accounting practices prescribed or permitted by the State of Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. Governmental fund and proprietary fund financial statements are reported using the cash basis. The more significant accounting policies used by the District are discussed below.

**A. Reporting Entity**

The Pelican Group of Lakes Improvement District (PGOLID or the District) is a Minnesota political subdivision, whose boundaries encompass all parcels of real property located within 500 feet of Bass, Big Pelican, Fish, and Little Pelican lakes, located in Ottertail County, Minnesota. PGOLID was formed to identify, quantify, study, and manage water resources as to preserve quality. The District is also involved in removing and restoring several old dams on the Pelican River and replacing those with natural type rapids.

The accompanying financial statements present the activities of the PGOLID. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the PGOLID to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the PGOLID.

Based on these criteria, there are no component units to be included within the PGOLID as a reporting entity.

**B. Basis of Presentation, Basis of Accounting**

Government-wide statements – The statement of net cash position and the statement of activities arising from cash transactions display information about the primary government (PGOLID). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental receipts, fees and other non-exchange transactions. The statement of activities presents a comparison between direct disbursements and program receipts for each function of the District's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

Fund financial statements – The fund financial statements provide reports on the statements of balances arising from cash transactions and results of cash receipts and disbursements for governmental and proprietary funds.

The District reports the following major governmental funds:

- General Fund – The general fund is the District's primary operating fund. It accounts for all the financial resources except those required to be accounted for in another fund.
- Lizzie & Prairie Lake Dams Fund – Used to account for resources restricted to use for capital projects.

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Notes to Financial Statements – Continued**

---

The District reports the following other governmental funds:

- Fish Lake Dam and Elizabeth Dam Funds – Used to account for resources restricted to use for capital projects.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Governmental fund and proprietary fund financial statements are reported using the cash basis. Under this method, revenues are recognized only when the District receives cash, and expenditures are recognized only when the District disburses cash. For the cash basis funds, the Schedules of Accounts Receivable and Schedule of Accounts Payable are displayed as supplemental information.

Amounts reported as program receipts include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Receipts that do not meet the previous criteria are reported as general receipts, including all taxes.

**D. Cash and Cash Equivalents**

The District considers cash equivalents to be money market accounts and certificates of deposit with original maturities of 3 months or less.

**E. Fund Balance**

The following classifications describe the relative strength of the spending classifications and the purpose for which resources can be used:

- Nonspendable fund balance – Includes fund balance that cannot be spent because it is either 1) not in spendable form or 2) is legally or contractually required to be maintained intact. Examples include inventories and prepaid amounts.
- Restricted fund balance – Amounts should be reported as restricted when constraints placed on those resources are either 1) externally imposed by creditors, grantors, contributors; or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- Assigned fund balance – Amounts that are constrained by the government’s intent to use for specified purpose but are neither restricted nor committed. Assigned fund balance in the General fund includes \$65,000 for working capital and \$80,000 for contingencies.
- Unassigned fund balance – The residual classification for the General Fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with Minnesota statutes, the District maintains deposits at those depositories authorized by the board of directors. All such depositories are members of the Federal Reserve System.

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Notes to Financial Statements – Continued**

Minnesota statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard 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.

At December 31, 2020, deposits were fully collateralized.

**Investments**

Minnesota statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District held no such investments at December 31, 2020 or during the year.

**NOTE 3 – PROPERTY TAXES**

**Property Taxes**

Property tax levies are set by the board of directors in July each year and are certified to Otter Tail County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on January 1 and receivables by the District at that date. Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15.

**NOTE 4 – INTERFUND TRANSFERS**

| Fund               | Transfer In | Transfer Out |
|--------------------|-------------|--------------|
| General Fund       | \$ 455      | \$ -         |
| Fish Lake Dam Fund | -           | (455)        |
| Total              | \$ 455      | \$ (455)     |

Transfers from the Fish Lake Dam Fund to the General Fund were to close out the fund.

**NOTE 5 – JOINT POWERS AGREEMENT**

The PGOLID entered into a Joint Power Agreement on May 20, 2020 with the State of Minnesota to conduct initial survey work and design for fish passage at the Elizabeth Dam site on the Pelican River near Elizabeth, MN in Ottertail County. The agreement obligated the State of Minnesota to reimburse the PGOLID in an amount not to exceed \$25,000. This agreement has been satisfied and expired on June 30, 2020.

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Notes to Financial Statements – Continued**

---

**NOTE 6 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through March 31, 2021, the date on which the financial statements were available to be issued.

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**BUDGETARY COMPARISON SCHEDULE – CASH BASIS – GENERAL FUND**  
**Year ended December 31, 2020**

|   | Original and Final<br>Budget | Actual Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|-------------------|---|
| <b>RECEIPTS</b>                             |                              |                   |   |
| Taxes                                       | \$ 130,000                   | \$ 129,456        | \$ (544)  |
| Intergovernmental Receipts                  | -                            | 753               | 753   |
| Charges for Services                        | -                            | 1,600             | 1,600   |
| Investment Earnings                         | -                            | 34                | 34  |
| Miscellaneous                               | -                            | 67                | 67  |
| Total Receipts                              | 130,000                      | 131,910           | 1,910   |
| <b>DISBURSEMENTS</b>                        |                              |                   |   |
| General Government                          | 7,000                        | 6,767             | 233   |
| Conservation of Natural Resources           | 141,000                      | 99,039            | 41,961  |
| Total Disbursements                         | 148,000                      | 105,806           | 42,194  |
| Receipts over Disbursements                 | (18,000)                     | 26,104            | 44,104  |
| <b>OTHER FINANCING SOURCES</b>              |                              |                   |   |
| Transfer In                                 | -                            | 455               | 455   |
| Total Other Financing Sources               | -                            | 455               | 455   |
| <b>NET CHANGE IN CASH FUND BALANCE</b>      | (18,000)                     | 26,559            | 44,559  |
| <b>CASH FUND BALANCE, BEGINNING OF YEAR</b> |                              | 155,103           |   |
| <b>CASH FUND BALANCE, END OF YEAR</b>       |                              | <u>\$ 181,662</u> |   |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS**  
**Year ended December 31, 2020**

|                                      | <u>Fish Lake Dam</u> | <u>Elizabeth Dam</u> | <u>Total</u> |
|--------------------------------------|----------------------|----------------------|--------------|
| <b>RECEIPTS</b>                      |                      |                      |              |
| Intergovernmental Receipts           | \$ 16,829            | \$ 25,000            | \$ 41,829    |
| Total Receipts                       | 16,829               | 25,000               | 41,829       |
| <b>DISBURSEMENTS</b>                 |                      |                      |              |
| Conservation of Natural Resources    | 18,660               | 25,000               | 43,660       |
| Total Disbursements                  | 18,660               | 25,000               | 43,660       |
| Receipts over Disbursements          | (1,831)              | -                    | (1,831)      |
| <b>OTHER FINANCING SOURCES</b>       |                      |                      |              |
| Transfer Out                         | (455)                | -                    | (455)        |
| Total Other Financing Sources        | (455)                | -                    | (455)        |
| NET CHANGE IN CASH FUND BALANCE      | (2,286)              | -                    | (2,286)      |
| CASH FUND BALANCE, BEGINNING OF YEAR | 2,286                | -                    | 2,286        |
| CASH FUND BALANCE, END OF YEAR       | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>  |



**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**SCHEDULE OF ACCOUNTS PAYABLE**  
**December 31, 2020**

---

| <u>Fund</u>  | <u>Vendor Name</u> | <u>Item and Purpose</u> | <u>Claim Number</u> | <u>Amount</u>   |
|--------------|--------------------|-------------------------|---------------------|-----------------|
| General Fund | Rolyan Buoys       | Buoys                   | 3680909             | \$ 3,400        |
|              |                    |                         |                     | <u>\$ 3,400</u> |

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES – CAPITAL PROJECTS FUNDS**  
**From Project Inception to December 31, 2020**

|  | <u>Fish Lake Dam</u> | <u>Lizzie &amp; Prairie<br/>Lake Dams</u> | <u>Elizabeth Dam</u> |
|--|----------------------|---|----------------------|
| <b>RECEIPTS</b>                          |                      |   |                      |
| Grants - Intergovernmental               |                      |   |                      |
| MN Department of Natural Resources       | \$ 230,256           | \$ 441,667                                | \$ 25,000            |
| US Fish and Wildlife Service             | 98,540               | -   | -                    |
| Donations                                |                      |   |                      |
| Red River Area Sportsman Club            | 1,000                | -   | -                    |
| Pelican Lake Property Owners Association | 1,000                | -   | -                    |
| Muskie, Inc.                             | 1,500                | -   | -                    |
| Refund of Permit Fee                     | -                    | 1,000                                     | -                    |
| Total Receipts                           | <u>332,296</u>       | <u>442,667</u>                            | <u>25,000</u>        |
| <b>DISBURSEMENTS</b>                     |                      |   |                      |
| Project Activities                       |                      |   |                      |
| Contractor - Hough, Inc.                 | 273,844              | 341,022                                   | -                    |
| Engineering - Houston Engineering        | 56,874               | 99,045                                    | 25,000               |
| Administrative Fee to General Fund       | -                    | 1,600                                     | -                    |
| Permit Fee                               | -                    | 1,000                                     | -                    |
| Plaque and Rock                          | 1,010                | -   | -                    |
| Miscellaneous                            | 113                  | -   | -                    |
| Initial Site Survey and Design           | 29,055               | -   | -                    |
| Total Disbursements                      | <u>360,896</u>       | <u>442,667</u>                            | <u>25,000</u>        |
| Receipts Over (Under) Disbursements      | (28,600)             | -   | -                    |
| <b>OTHER FINANCING SOURCES</b>           |                      |   |                      |
| Transfer from General Fund               | 29,055               | -   | -                    |
| Transfer to General Fund                 | (455)                | -   | -                    |
| Total Other Financing Sources            | <u>28,600</u>        | <u>-</u>                                  | <u>-</u>             |
| <b>NET CHANGE IN CASH FUND BALANCE</b>   | <b>-</b>             | <b>-</b>                                  | <b>-</b>             |
| <b>CASH FUND BALANCE, BEGINNING</b>      | <b>-</b>             | <b>-</b>                                  | <b>-</b>             |
| <b>CSAH FUND BALANCE, ENDING</b>         | <b>\$ -</b>          | <b>\$ -</b>                               | <b>\$ -</b>          |



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

Board of Directors  
Pelican Group of Lakes Improvement District  
Pelican Rapids, Minnesota

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

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described as finding 2020-001 in the accompanying schedule of findings to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

The District's responses to the findings identified in our audit are described in the separately issued corrective action plan and the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, ND  
March 31, 2021



## INDEPENDENT AUDITOR'S REPORT ON *MINNESOTA LEGAL COMPLIANCE*

Board of Directors  
Pelican Group of Lakes Improvement District  
Pelican Rapids, Minnesota

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

In connection with our audit, nothing came to our attention that caused us to believe that the Pelican Group of Lakes Improvement District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions) sections of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the schedule of findings as item 2020-002. 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.

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

*Nadine Julson, LLC*

Nadine Julson, LLC  
Wahpeton, ND  
March 31, 2021

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Pelican Rapids, Minnesota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2020**

---

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

|   |   |     |  |   |               |
|---|---|-----|--|---|---------------|
| Material weakness identified?   | X | Yes |  |   | No            |
| Significant deficiencies identified not considered to be material weaknesses? |   | Yes |  | X | None reported |
| Noncompliance material to financial statements noted?                         |   | Yes |  | X | No            |

**SECTION II – FINANCIAL STATEMENT FINDINGS**

*2020-001 LACK OF SEGREGATION OF DUTIES*

**Criteria**

An appropriate system of internal controls has the proper segregation of duties between authorization, custody, record keeping, and reconciliation functions.

**Condition**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District’s financial condition whether due to error or fraud.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Views of Responsible Officials**

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District.

**PELICAN GROUP OF LAKES IMPROVEMENT DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

---

**SECTION III – MINNESOTA LEGAL COMPLIANCE FINDINGS**

*2020-002 CONTRACTING – BID LAWS*

**Condition**

The District did not obtain quotes for contracts from \$25,000 - \$175,000 in accordance with Minn. Stat. § 471.345.

**Views of Responsible Officials**

The District will work to adopt a policy in accordance with Minn. Stat. § 471.345 as soon as possible or document efforts to seek quotes for the mosquito spraying contract.