

2015

Roseau River Watershed District



Annual Report

2015 DISTRICT INFORMATION

OFFICE INFORMATION

The Roseau River Watershed District (RRWD) office is located at 108 3rd Ave. SW, Roseau and is open 8 a.m. - 4 p.m., Monday - Friday. The phone number is (218) 463-0313, the fax number is (218) 463-0315 and the e-mail address is rrwd@mncable.net.

In 2015 the Board held regular business meetings, on the first Wednesday of each month, at 8:00 a.m. (April – Sept.) and 3 p.m. (Oct. – March). All of the meetings held by the Roseau River Watershed are open to the public.

BOARD OF MANAGERS

A Board of Managers governs the Roseau River Watershed District. The Board has five managers, four appointed by the Roseau County Board of Commissioners and one appointed by the Kittson County Board of Commissioners. The 2014 members were:

Chairman – LeRoy Carriere
504 4th Ave NE
Roseau, Minnesota 56751

Secretary - Cody Schmalz
4529 400th Street
Lancaster, Minnesota 56756

Vice -chair – Tony Wensloff
37232 240th St
Roseau, Minnesota 56751

Treasurer- Aaron Magnusson
36576 270th Street
Roseau, Mn 56751

Carter Diesen
40141 160th St
Wannaska, MN 56761

** Manager Jason Braaten replaced
Manager Magnusson in November 2015

EMPLOYEES AND CONSULTANTS

The District has a full time Administrator and a full time Technician. Citizens are encouraged to contact the administrator, technician, a manager, or the consultants at any time with their concerns or suggestions.

Administrator – Tracy Halstensgard

District Technician – Torin McCormack

Attorney – Michelle Moren, Roseau

Accounting Firm – Drees, Risky, & Vallager, Ltd. – Crookston, MN.

ESTABLISHMENT

The Roseau River Drainage and Conservancy District, having been established by Order of the District Court, Roseau County, dated August 13, 1920, under the provisions of Chapter 13, Laws of 1919, Special Session. In 1963, the Governing Body of the Roseau River Drainage and Conservancy District having petitioned the District Court, Roseau County as authorized in Minnesota Statutes, 112.74 for the right to operate and exercise all the rights and authority contained in Sections 112.34 - 112.83 of Minnesota Statutes. The Court, having heard the evidence adduced by the petitioners in favor of granting their petition, did order on June 17, 1963 that from and after this date the, the Roseau River Drainage and Conservancy District and its Governing Board shall operate under and exercise all the rights and authority contained in Section 112.34 - 112.83 of Minnesota Statutes, known as the "Minnesota Watershed Act", and shall hereafter be a Watershed District in accordance with the terms and provisions of the said "Minnesota Watershed Act", and the County Board of Commissioners of Roseau and Kittson Counties having petitioned the Minnesota Water Resource Board on November 20, 1963, asking for a change in boundary, for a change in name of said District to Roseau River Watershed District, and to designate a place of business for the Watershed District, pursuant to the provisions of Minnesota Laws of 1955, Chapter 799, as amended, and the Minnesota Water Resource Board having held a hearing on February 19, 1964 in Roseau did order on March 18, 1964, the change in name of the Roseau River Drainage and Conservancy District to the Roseau River Watershed District, the City of Roseau to be the place of business of the Roseau River Watershed District, and did define the District's boundary.

The board of managers initially adopted an Overall Plan for the RRWD on August 18, 1964. The plan was submitted to the Minnesota Water Resource Board. The Minnesota Water Resource Board on April 20, 1965 approved the Overall Plan. In June of 2004 the Board of Managers approved an update of the Overall Plan. The plan is on file in the Roseau River Watershed office and online at www.roseauriverwd.com.

MISSION STATEMENT

It is the intention of the Board of Managers to manage the waters and related resources within the Roseau River Watershed District in a reasonable and orderly manner which will improve the general welfare and public health of the residents of the District.

The Board of Managers accepts the responsibilities with which they are charged as a governing body by Minnesota Statutes. Said Board of Managers, in the conduct of the duties and responsibilities conferred upon them, do not intend to usurp the authority or responsibilities of other agencies or governing bodies, however, said Board of Managers will not avoid their responsibilities and obligations.

It is the stated intent of the Managers herein that no person shall be deprived or divested of any previously established beneficial use or right, by any rules of the District, without due process of law. All rules of this district shall be construed according to this intention.

DISTRICT ACTIVITY

Website

The RRWD Board contracted with dot.com Connections to create and maintain a District website. The website can be viewed at www.roseauriverwd.com. The District minutes, rules and permit forms are available online. The Website is still under development.

District Meetings

In 2015, the Board held 12 regular monthly meetings, 3 special meetings, 4 public hearings and various Project Team meetings. The Board minutes are available online at www.roseauriverwd.com and at the office.

Non-District Meetings:

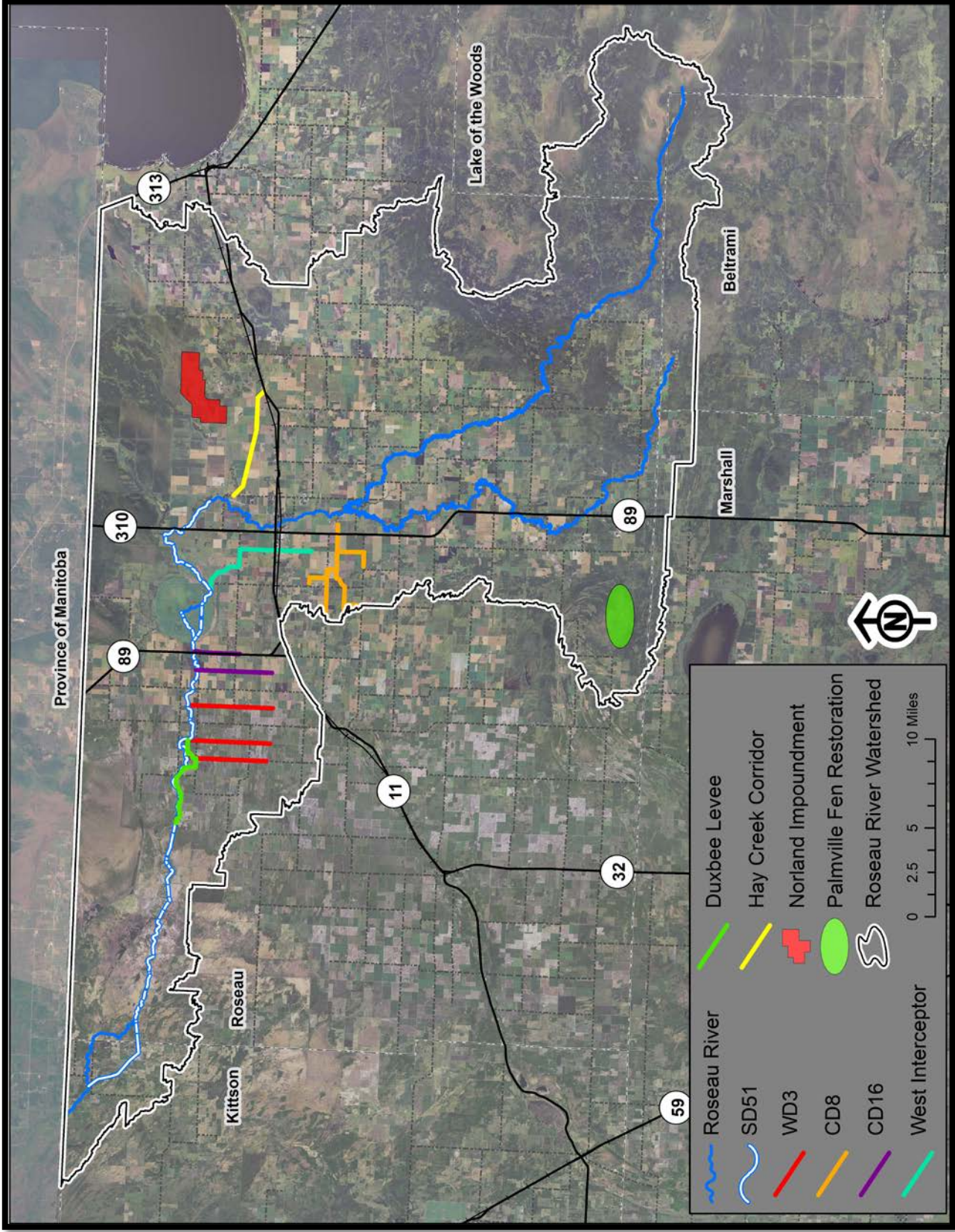
MAWD - In December of 2015, Managers LeRoy Carriere, Tony Wensloff and Carter Diesen as well as Administrator Halstengard and Technician McCormack, attended the annual meeting of the Minnesota Association of Watershed Districts (MAWD) held in Alexandria, Minnesota. The district is a member of MAWD which provides assistance on issues that affect watershed districts.

RRWMB - The Red River Watershed Management Board (RRWMB) delegate in 2015 was Manager LeRoy Carriere. The District also participates in an annual conference sponsored by RRWMB and FDRWG held in March of each year.

RRIW - The Roseau River International Watershed (RRIW) was created in 2000 with representation from both the United States (Minnesota) and Canada (Manitoba). The group continues to meet to address water related issues and concerns within the Roseau River Basin. The two RRWD board members delegated to represent the RRWD in 2015 were Managers Cody Schmalz and LeRoy Carriere.

Citizens Advisory Committee (CAC) - On February 25th, 2015 the Citizens Advisory Committee held it's annual meeting. The group discussed several of the District's proposed projects and outlined suggestions for the RRWD Board of Managers. For a list of committee members, please contact the office.

Beltrami Island LUP Citizens Input Panel – Administrator Halstengard was appointed by the DNR Commissioner to this panel. There were two meetings held in 2015 where various topics concerning the LUP (Land Utilization Project) lands were discussed.

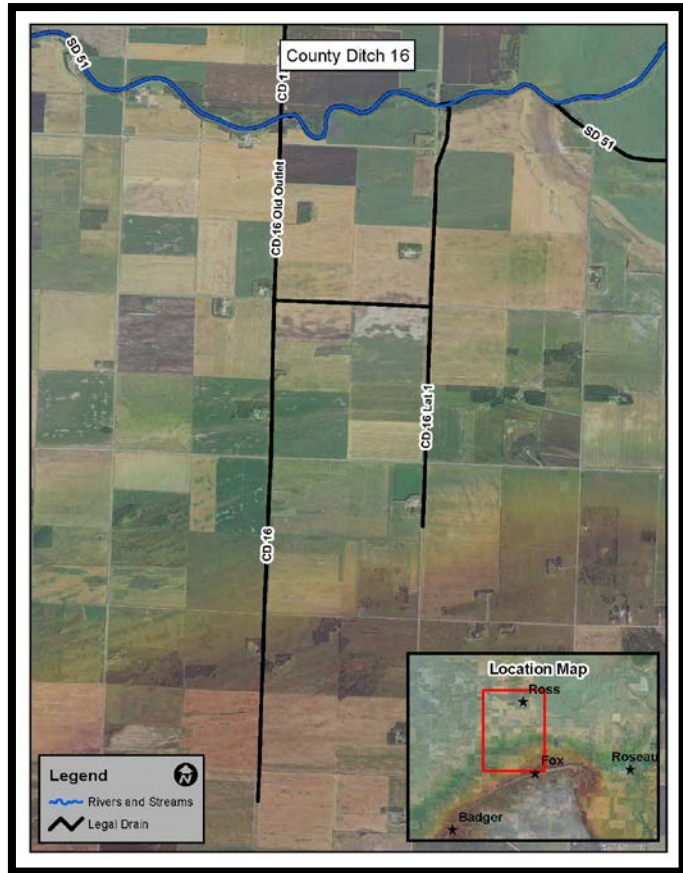


DRAINAGE SYSTEMS

The Roseau River Watershed District is the Ditch Authority for the following systems.

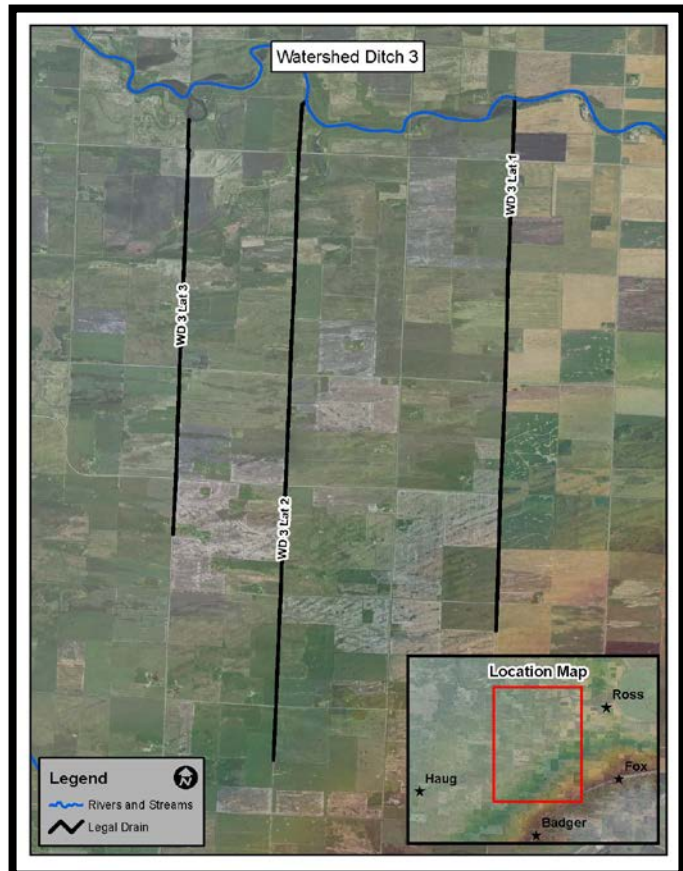
Watershed Ditch No.1 and Roseau County Ditch No. 16

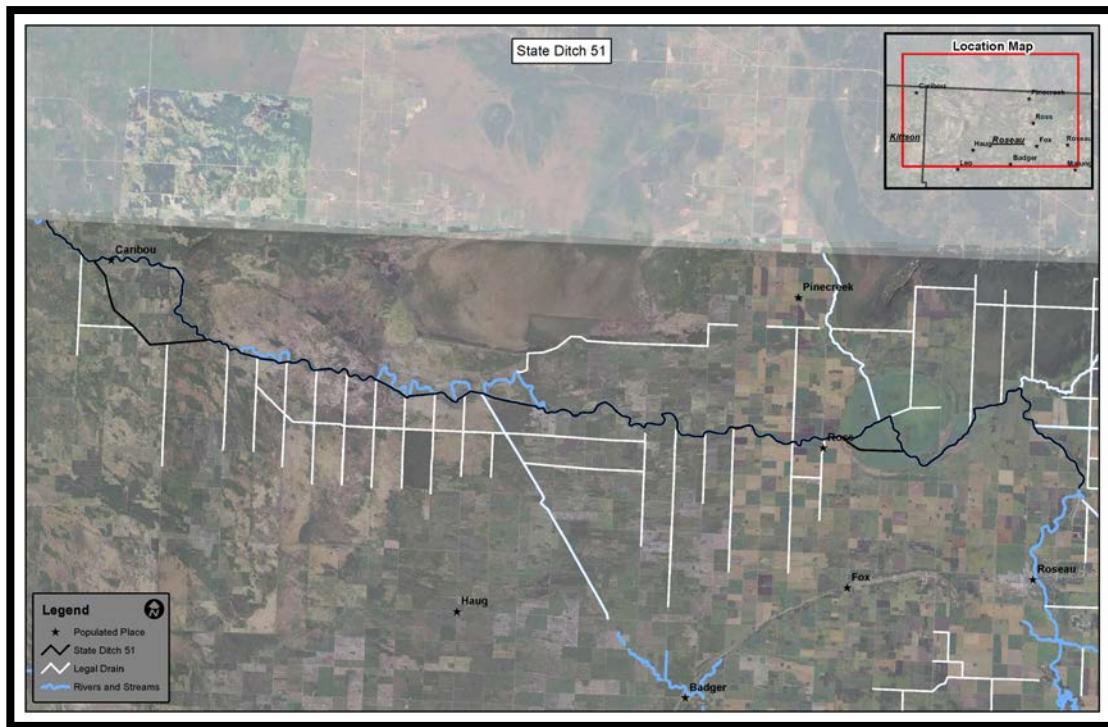
WD No.1 is a one mile ditch plus additional outlet for lands drained by Roseau County Ditch Number 16. It is located on the west side of Sections 34 and 27, Dieter Township and drains lands in Dieter and Ross Townships. CD No. 16 is located in Dieter and Ross Townships, was turned over for administration and management to the Watershed District.



Watershed Ditch No.3

This ditch system consists of three laterals draining lands in Ross, Moose, Dieter, and Pohlitz Townships. A segment of lateral 1 was completed in the fall of 2006 from County Road #10 south along the east side of section 32 of Dieter Township south ¾ mile. The described portion of the ditch was moved to the east approximately 65 feet in order to provide a 4:1 side slope to prevent sloughing that was occurring along the road. Cleaning of lateral 3 was completed in the summer of 2011. There were several FEMA cleanout areas identified in the Lateral 2 and were addressed in 2011. General maintenance has been ongoing including brushing, mowing and spraying. Since the above mentioned work has been completed, the ditch system is considered to be in good repair.





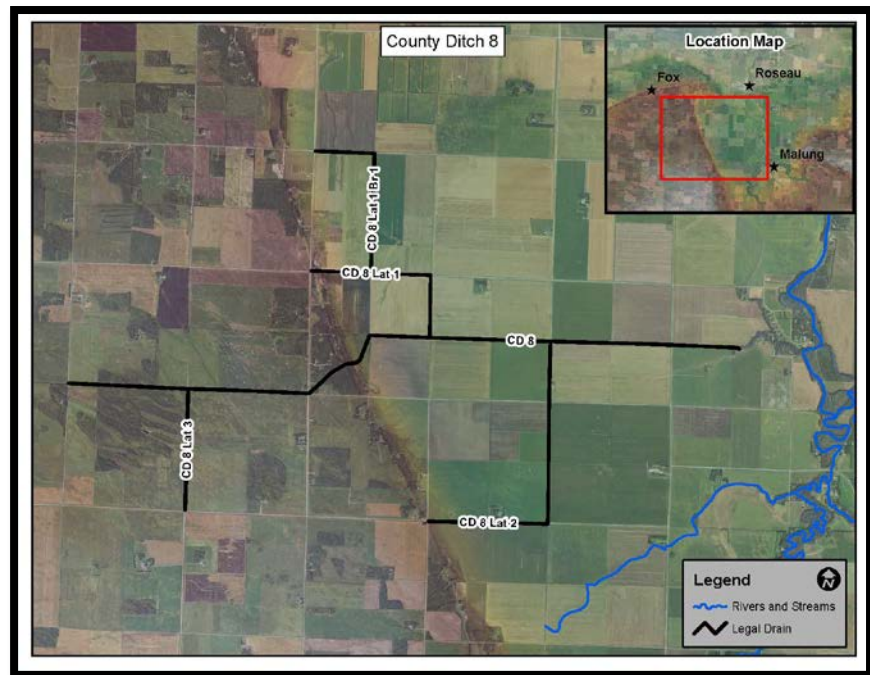
State Ditch No. 51

Originally established by the State of Minnesota it consisted of 10 river cutoffs constructed in 1906-1907 time frame. In 1914 to 1918, the ditch was improved when the State of Minnesota dug the river channel from the Canadian border to and around the Roseau Lakebed. That expansion paralleled Cutoff Number 10 in Kittson County and followed the other cutoffs constructed in 1906 and 1907. In 1988, SD 51 was expanded when the Roseau County Board of Commissioners turned over the Roseau River and Roseau Lake Bottom portions of Judicial Ditch No. 61 and State Ditch No. 37 to the Roseau River Watershed District. Under Minnesota Statute Authority, these ditches were combined with State Ditch No. 51 at a hearing conducted on October 11, 1988 and continued and concluded on November 1, 1988. The redetermination of benefits process found in excess of 9 million dollars in ditch benefits.

During the late fall and winter of 2015 the Board oversaw the removal of debris in the channel.

Roseau County Ditch No.8

This ditch, located in Jadis and Stafford Townships, was turned over for administration and management to the Watershed District. The ditch capacity is under designed and past attempts to consider improvements have failed. In 2005 the RRWD Board of Managers directed JOR Engineering to do a complete survey of the ditch system, to determine the condition of the system.



General maintenance has taken place including culvert replacement, brushing and spraying. The RRWD received a Projects and Practices grant from the Board of Water & Soil Resources in the amount of \$147,700 to construct 2 drop structures, approximately 21 side-water inlets and complete 325 linear feet of channel stabilization.

PROGRAMS

Side Water Inlets

In 2012 the State of Minnesota Board of Water and Soil Resources awarded the District a \$48,250 grant for Conservation Drainage. The grant is to design and construct side water inlets in the WD 3 system. The goal of these inlets is to reduce erosion from field drainage thereby reducing sedimentation and turbidity in the legal drainage system as well as down stream. Four such inlets were designed and constructed in 2013. The District is continuing to work with landowners and pursue funding for this practice.

Comprehensive Culvert Inventory

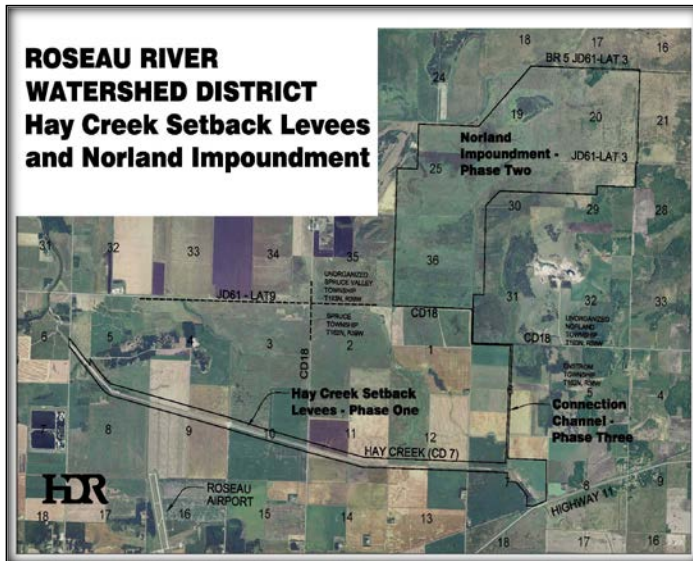
In October of 2013, the District was awarded a \$25,000 grant from the Northwest Minnesota Foundation to conduct a Comprehensive Culvert Inventory. The money was used to hire an intern to collect field data during the 2014 construction season. That data will then be entered into a GIS data layer for future reference. This work was completed in 2015 and the resulting information and report are available at the District office during normal business hours.

Permits

In 2015 there were a total of 37 permit applications for the following activities: installation of culverts for field drainage and driveway accesses, ditch slope repair, ag tiling and culvert replacement.

PROJECTS

Hay Creek-Norland



Description/Location: The project area includes the lower portion of the Hay Creek watershed and adjacent 37 square mile Norland sub-basin. Hay Creek drains into the Roseau River immediately downstream from the City of Roseau. The project includes three features: 7-mile corridor restoration and floodway enclosed by setback levees, an off-channel impoundment site, and a connection channel. This site provides a total of at least 9,500 acre-feet of gated and un-gated runoff storage.

Project Benefits

Flood Control

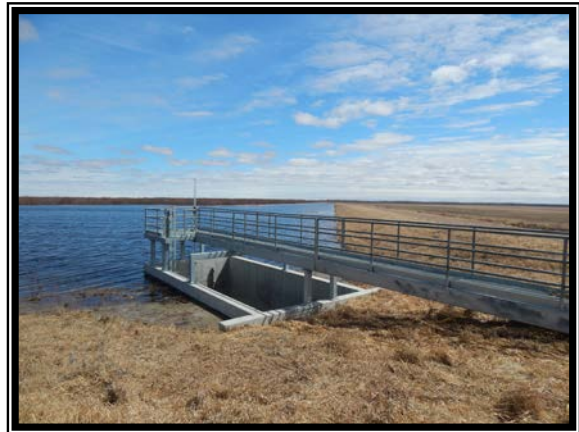
- 50% reduction in the 10-yr & a 30% reduction in the 100-yr discharges from Hay Creek/Norland drainage area.
- Reducing backwater and flood durations in the City of Roseau.
- Reduce flooding to 13,300 acres of ag land, 24 miles of roads, 131 miles of ditches, and 27 culverts and bridges.

Habitat Restoration

- Stream flow augmentation, improved dissolved oxygen levels, enhanced fish habitat, riparian buffer corridor and wetland restorations.

Erosion Reduction

- Reduction in bank erosion on downstream ditches and the Roseau River

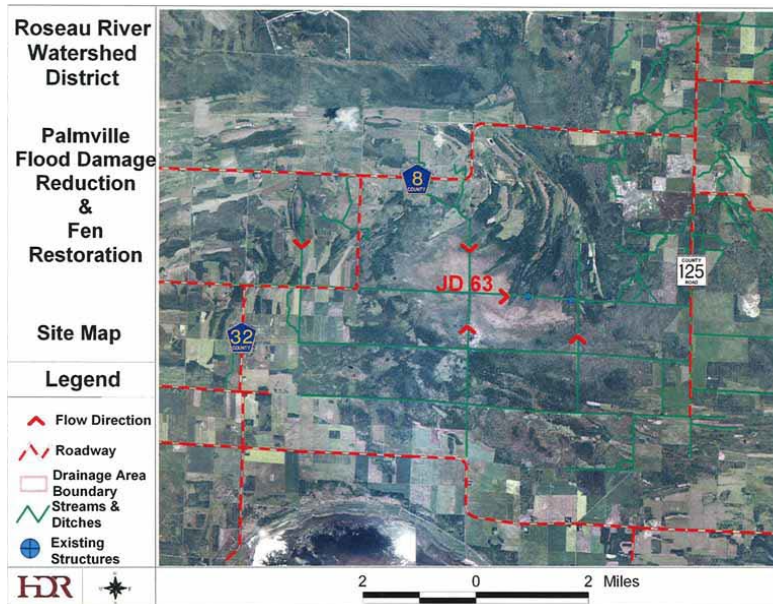


Partners: Red River Watershed Management Board and State of Minnesota Flood Damage Reduction Program



Status: The project was operated in the spring of 2014. The District has been working with the US COE's on an adaptive wetland mitigation proposal that was originally presented in December of 2011.

Palmville Flood Damage Reduction and Fen Restoration Project



Description/Location: The Palmville Fen is a major wetland area covering approximately 3,000 acres located in the upper watershed of the South Fork of the Roseau River, primarily on land owned and managed by the State of Minnesota Department of Natural Resources. The Fen has been degraded by the construction of judicial and county ditch systems over the last one hundred years. The Palmville project is a flood damage reduction (FDR) and natural resource enhancement (NRE) project. Flood control benefits will be provided to immediate areas downstream, the village of Wannaska and the city of Roseau. Fen restoration will hopefully be accomplished by encouraging a greater depth and duration of surface and subsurface flow to spill from the main channel and seep into the adjacent fen.

Project Benefits

Flood Damage Reduction (FDR)

- Reduce frequency of high water events to agricultural lands downstream
- Provide FDR downstream at Wannaska and Roseau;

Habitat Restoration

- Restore fen to a more natural hydrologic condition.
- Stream flow augmentation, improved dissolved oxygen levels, enhanced fish habitat, improve water management capability

Erosion Reduction

- Reduction in riverbank erosion and bank sloughing on the Roseau River.

Partners: Red River Watershed Management Board, Minnesota Department of Natural Resources and State of Minnesota Flood Damage Reduction Program

Status: The project is operational and functioning as designed. In 2015 mowing and rodent management took place.



Roseau River Wildlife Management Area Pool 3 Outlet Project



Description/Location: The Roseau River Wildlife Management (RRWMA) is located in northwestern Minnesota along the Canadian Border. This wildlife impoundment was constructed in 1952 and 1953. The stated purpose of the project was wildlife enhancement and flood control. The RRWMA project was modified in the late 1980's to extend its life and to increase its flood control benefits.

This impoundment has provided many years of flood control benefits to the area, but over the years of operations it has become evident that having the ability to transfer waters between the pools to aid in flood control is beneficial. Experience has also been shown that being able to discharge large volumes of water, from the impoundment, before the Roseau River flood reaches this area, would increase the flood damage reduction effectiveness of the available water storage, thereby lessening damages downstream on the Roseau River and the Two Rivers.

Project Benefits

Flood Damage Reduction (FDR)

- Address the need to repair or replace the failing control structure between Pools 2 & 3;
- Improve water level management for vegetation management;
- Control pool bounce to improve nesting success;
- Provide more efficient flood storage and improve the timing of 8,000 A-F of flood storage in the RRWMA
- Provide FDR downstream at Caribou;
- Manage storage and flow release in beneficial consideration of Red River peak flows;
- Provide FDR in agricultural areas upstream and south of the Big Swamp along the Roseau River in Moose, Soler, Dieter and Pohlitz Townships.

Habitat Restoration

- Stream flow augmentation, improved dissolved oxygen levels, enhanced fish habitat, improve water management capability

Erosion Reduction

- Reduction in riverbank erosion and bank sloughing on the Roseau River.

Partners: Red River Watershed Management Board, Minnesota Department of Natural Resources and State of Minnesota Flood Damage Reduction Program.

Status: The Board and Project Team continue to work on permitting and Operation & Maintenance Plan development. Construction is expected in 2016.



Upper Roseau and Hay Creek Water Management Project – Phase 1 Beltrami Island State Forest Region

Proposers

Roseau River Watershed District

Description/Location:

The Roseau River Watershed and its project team are working to develop an overall water management plan for this approximately 477 square mile subwatershed. This area is located in the upper portion of the Roseau River Watershed generally above the City of Roseau. This plan will identify both flood damage reduction and natural resource needs within the subwatershed. The plan will provide additional flood storage to assist with local, regional and basin flood damage reduction efforts. Due to the size of the planning region, it is anticipated that the project(s) will be implemented in 3-5 phases.



Project Benefits:

Flood Control

The overall project will provide approximately 55,000 ac-ft of gated retention within the Upper Roseau and Hay Creek Subwatersheds. This will provide both local and Red River flood damage reduction and is consistent with the Red River Basin Commission – Long-Term Flood Solutions Plan for reducing flows on the Red River.

Water Quality

The Roseau River is currently listed as impaired water for turbidity. In addition, to reducing bank erosion, the retention site(s) will improve downstream water quality by allowing suspended sediment to settle out and reduce turbidity in the river.

Wildlife and Habitat:

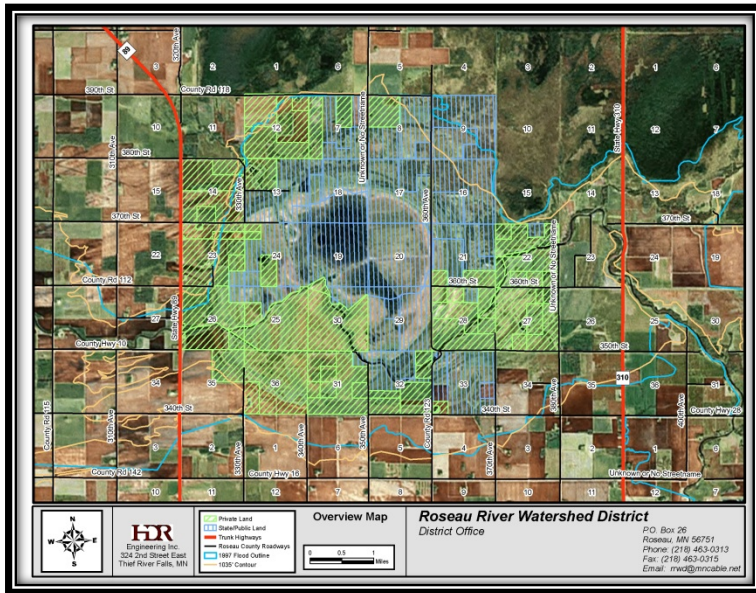
The establishment of the permanent vegetation within portions of the watershed will improve wildlife habitat.



Status: The project was slowed in 2015 due to the possibility of federal funding being made available through the NRCS. The District applied for federal funds available in the Regional Conservation Partnership Program and is expecting to continue planning in 2016 under that program.



Roseau River Wildlife Management Area – Lake Bottom Project



Description/Location: The Roseau River Wildlife Management (RRWMA) and Lake Bottom Unit area is located in northwestern Minnesota near the Canadian Border. The stated purpose of the project is wildlife enhancement and flood control.

The Lake Bottom Unit has provided many years of flood control benefits to the area, but over the years it has become evident that having the ability to control the timing of when the Roseau River floods the Lake Bottom would be beneficial. The Lake Bottom Unit currently floods with “early water”, which diminishes or eliminates the available flood storage when the flood peak of the Roseau River moves through the area.

Project Benefits This is a multi-purpose project to:

Flood Control

- improve water level management in the Lake Bottom Unit for vegetation management;
- control pool bounce to improve nesting success;
- provide more efficient flood storage and improve the timing of 60,000 A-F of flood storage in the Roseau River Wildlife Management Area – Lake Bottom Unit;
- provide flood damage reduction downstream at Caribou by decreasing peak flows at Caribou;
- manage storage and flow release in beneficial consideration of Red River peak flows;
- provide flood damage reduction in agricultural areas upstream and south of the Big Swamp along the Roseau River in Moose, Soler, Dieter, and Pohlitz Townships.

Habitat Restoration

- Stream flow augmentation, improved dissolved oxygen levels, enhanced habitat, and improved water level management.

Erosion Reduction

- Reduction in riverbank erosion and bank sloughing on the Roseau River.

Projected Project Cost: \$13,000,000

Status: Proposed

Partners: Red River Watershed Management Board; State of Minnesota Flood Damage Reduction Program and Department of Natural Resources

Status: In February of 2014 the Board initiated a Project Team to kick-off the project planning process. HDR Engineering was hired as the consulting engineer for the project. Initial project planning work included concept design, landowner input, draft Concurrence Point 1 discussion and DNR goals and objectives. The Project Team continues to work on project development.



FINANCIAL

Budget

The budget adopted at the September 2014 meeting for 2015 locally funded expenditures is as follows:

Following discussion, a **motion** was made by Manager Magnusson seconded by Manager Haugen to approve the proposed 2015 budget. Motion carried unanimously.

Administrative Budget:

1.	Salaries and benefits	\$120,000.00
2.	Manager's per diem and expenses	\$ 12,000.00
3.	Dues and subscriptions	\$ 1,500.00
4.	Engineering	\$ 10,000.00
5.	Legal and accounting	\$ 15,000.00
6.	Real estate taxes	\$ 7,000.00
7.	Rent and Utilities	\$ 5,500.00
8.	Insurance	\$ 8,000.00
9.	Telephone and internet	\$ 2,250.00
10.	Office supplies, postage & printing	\$ 6,000.00
11.	Capital Outlay	\$ 15,000.00
12.	Stream gaging	\$ 15,000.00
13.	RRWD projects / maintenance	\$ 32,750.00
	Total	\$250,000.00

Construction Budget:

1.	Red River Watershed Management Board	\$ 144,511.63
2.	RRWD Construction Fund	\$ 144,511.62
	Total	\$ 289,023.25

Ditch system levees for the year 2014:

- \$ 12,000.00 levy on WD#3 Ditch System
- \$ 3,000.00 levy on Ditch #8
- \$ 1,500.00 levy on Ditch #16
- \$ 2,500.00 levy on West Interceptor

A one percent assessment on redetermined benefits on State Ditch #51: approximate figures are as follows;

Roseau County	\$88,177.69
Kittson County	\$ 1,155.02
Marshall County	\$ 641.92
Beltrami County	\$ 899.65
Lake of the Woods County	\$ 648.60

Financial Summary

This section summarizes the District's financial activity for 2015. The information provided in this section is a summary of the activity for the year. A detailed report of all activity within the respective fund accounts is available for review at the District's office. By law the Roseau River Watershed District is allowed to establish a number of funds for the purpose of carrying out their duties. To finance these funds the District levies an "ad valorem" tax, meaning in "proportion to the value," over the entire watershed district and is based on the property value, rather than benefits. The following is a brief summary of types of funds established and the ways they assist in carrying out the goals of the District.

General Fund

This is the general operating fund of the District. The fund is set up for the purpose of providing for the general administrative expenses and for the construction and maintenance of projects of common benefit to the District. The levy to fund the Administrative fund may not exceed 0.00048 percent of taxable market value or \$250,000, whichever is less.

Red River Watershed Management Board Construction Fund

This is established and used for the development of programs and projects of benefit to the District. The levy to fund the Red River Water Management Construction Fund may not exceed 0.003627 of the taxable market value of the property in the District. One-half of the levied funds received are sent to the Red River Watershed Management Board for programs and projects that have common benefit in the Red River Basin.

Other Income

This is other sources that are received by the District that include funds from grants and aids as well as reimbursement from other governmental agencies.

Basic Financial Statements

The following pages are the basic financial statements proved by the District's accountant for the year (January 1, through December 31, 2013) as augmented with the Legal Compliance.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
AS OF DECEMBER 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,479,895
Restricted cash	75,000
Due from other fund	<u>14,416</u>
TOTAL ASSETS	<u><u>2,569,311</u></u>
 NET CASH POSITION	
Restricted	
For watershed projects	2,208,262
For future building needs	75,000
Unrestricted	<u>286,049</u>
TOTAL NET POSITION	<u><u>\$ 2,569,311</u></u>

See Notes to the Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

FUNCTION	Program Receipts and Sources				Net Cash Sources (Uses) and Change in Net Cash Position
	Disbursements	Fees, Assessments and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total
Governmental Activities:					
Administration	\$ 240,094	\$ 1,937	\$ -	\$ -	\$ (238,157)
Administrative construction	183,345	26,471	29,835	-	(127,039)
General maintenance projects	128,198	78,961	-	-	(49,237)
Flood control projects	311,887	-	-	387,134	75,247
Drainage projects	810	-	-	-	(810)
Total Governmental Activities	\$ 864,334	\$ 107,369	\$ 29,835	\$ 387,134	(339,996)
General Receipts:					
Property taxes					332,596
Intergovernmental (not restricted for special program)					
MV Credits					13,383
Interest earnings					34,152
Total General Receipts					380,131
Changes in Cash Net Position					40,135
Net Cash Position, January 1					2,529,176
Net Cash Position, December 31					\$ 2,569,311

See Notes to the Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	General	Capital Project Fund	Total
ASSETS			
Cash and investments	\$ 271,633	\$ 2,208,262	\$ 2,479,895
Restricted cash	75,000	-	75,000
Due from other funds	14,416	-	14,416
TOTAL ASSETS	\$ 361,049	\$ 2,208,262	\$ 2,569,311
CASH FUND BALANCE			
Restricted	\$ 75,000	\$ 2,208,262	\$ 2,283,262
Unassigned	286,049	-	286,049
TOTAL CASH FUND BALANCE	\$ 361,049	\$ 2,208,262	\$ 2,569,311

See Notes to the Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
RECEIPTS			
Taxes	\$ 221,731	\$ 110,865	\$ 332,596
Special assessments	-	75,517	75,517
Intergovernmental:			
State	8,922	278,909	287,831
RRWMB	-	142,521	142,521
Interest	5,206	28,946	34,152
Other	1,937	29,915	31,852
TOTAL RECEIPTS	<u>237,796</u>	<u>666,673</u>	<u>904,469</u>
EXPENDITURES			
Administration	191,252	48,842	240,094
Administrative construction	-	183,345	183,345
General maintenance projects	23,102	105,096	128,198
Flood control projects	-	311,887	311,887
Drainage projects	-	810	810
TOTAL EXPENDITURES	<u>214,354</u>	<u>649,980</u>	<u>864,334</u>
Receipts Over (Under) Disbursements	23,442	16,693	40,135
Cash Fund Balance - January 1	<u>337,607</u>	<u>2,191,569</u>	<u>2,529,176</u>
Cash Fund Balance - December 31	<u>\$ 361,049</u>	<u>\$ 2,208,262</u>	<u>\$ 2,569,311</u>

See Notes to the Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
AS OF DECEMBER 31, 2015

ASSETS

Due from Red River Management Board	<u>\$ 14,416</u>
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LIABILITIES

Due to Other Funds	<u>\$ 14,416</u>
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See Notes to the Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

The Roseau River Watershed District, (the "District") was established under the Minnesota Watershed Act as an agency of the State of Minnesota. The purpose of the District is to carry out conservation of the natural resources of the State of Minnesota through land utilization, flood control, and other needs upon sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. The District serves an area in Northwestern Minnesota. The District is governed by the Board of Managers, which is composed of five members appointed by the county boards in accordance with Minnesota Statutes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Under the cash basis of accounting all relevant Governmental Accounting Standards Board (GASB) pronouncements are followed.

Reporting Entity

The financial statements of the District include all organizations, funds and account groups over which the Board of Managers exercises significant influence or financial accountability. The District uses criteria established by GASB in determining financial accountability, which includes: the District's appointment of an entity's governing board; ability of the District to impose its will on that entity; or the potential for the entity to provide specific financial benefits or financial burdens on the District. Currently, the District does not have any component units.

Government-Wide Financial Statement

The Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities (if any). The District displays all operations as governmental activities, because generally governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange receipts.

Fund Financial Statements

Fund financial statements of the District 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 equity, revenues (receipts) and expenditures (disbursements). Funds are typically organized into three categories: governmental, fiduciary and proprietary. The District currently has no proprietary funds.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Total assets, liabilities, revenues (receipts) or expenditures (disbursements) of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type, AND

Total assets, liabilities, revenues (receipts) or expenditures (disbursements) of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Governmental Funds

General Fund

The general fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Projects Fund

The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of capital projects. The reporting entity includes the capital projects fund as a major fund.

Fiduciary Fund

Agency Fund

The agency fund accounts for assets held by the District in a purely custodial capacity on behalf of the Red River Watershed Management Board. Since an agency fund is custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of operations.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the cash basis of accounting, is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets.

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Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions governmental activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues and expenditures when they result from cash transactions, therefore revenues and expenditures are referred to as receipts and disbursements, respectively. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or unbilled services provided in current year) and certain liabilities and their related expense (such as accounts payable, unpaid goods or services received in the current year and accrued expenses) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the government-wide financials would be presented on the accrual basis of accounting.

Budgets

The budget is prepared using the same method of accounting as the financial statements. The annual adopted budget is not legally binding to the District, with the exception of the budget for the administrative fund, which is limited by state statute at \$250,000 and set by the Board for 2015 at \$250,000.

Revenues

In the Statement of Activities, cash basis revenues (receipts) that are derived directly from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has the following program revenues: direct project cost reimbursements and project special assessments, rental income and operating and capital grants specific to projects. All other governmental revenues and general tax levies are classified as general revenue.

Property Taxes

The District levies property taxes on property owners within the District, which is set by the Board in September and are certified to the County for collection in the subsequent year. In Minnesota, counties act as collection agents for all property taxes.

The approved levy becomes an enforceable lien as of January 1 in the subsequent year. Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15 (November 15 for farm property). The counties typically provide tax settlements to the District in January, June and December. Property taxes are recognized when received from the counties under the cash basis of accounting.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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The District also levies special assessments through the counties against property owners who obtain direct benefits from projects or property owners who request, through the petition process, to have a project undertaken. The special assessment collections are recorded in a manner similar to that for property taxes.

Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in authorized investments authorized by Minnesota statutes. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund. It is the policy of the District in which funds with deficit averages are not charged with the investment earnings lost in financing the deficits.

Restricted Cash

Cash in the general fund has been classified as restricted because part of the administrative tax levy has been approved and restricted for future building needs and is offset by restricted fund balance in the financial statements to indicate its unavailability for appropriations nor expendable available financial resources.

Equity

In the government-wide financial statements, equity is classified as “net position” and displayed in two components:

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Cash Fund Balance

In the governmental fund financial statements, cash fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable cash fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted cash fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed cash fund balance includes 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 which is the Board of Managers through an ordinance or resolution.

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Assigned cash fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

Unassigned cash fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not 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. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

Interfund Balances

In the process of aggregating the fund information for the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Estimates

The preparation of financial statements, in conformity with a comprehensive basis of accounting other than generally accepted, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH

Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC (140% if collateralized with notes secured by first mortgages).

At December 31, 2015, the City's carrying amount of deposits was \$2,569,311 and the bank balance was \$2,540,107. All of the deposits were covered by Federal Depository Insurance or with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk

The District is authorized by Minnesota Statutes to invest in the following: direct obligations or obligations guaranteed by the federal government or its agencies; share of investment companies registered under the Federal Investment Company Act of 1940 and is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of Minnesota Housing Finance Agency rated "A" or better; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank or insurance company, domestic branch of a foreign bank and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District has no investment policy that would further limit its investment choices.

Custodial Risk

The District does not have a formal policy that would limit the amount invested in any single financial institution. Approximately 69% of the District's cash is held at Border State Bank of Roseau, Minnesota.

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

All full-time and certain part-time employees of the Roseau River Watershed District are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapter 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for GERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of

ROSEAU RIVER WATERSHED DISTRICT
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average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to May 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to May 1, 1989.

Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after May 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees, who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the web at mnpera.com or by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.5%, respectively, of their annual covered salary in 2015. The Roseau River Watershed District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.5% for Coordinated Plan GERF members. The District's contributions to the Public Employees Retirement Fund for the years ended December 31, 2015, 2014 and 2013 were \$8,952, \$7,394 and \$5,379, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 5 CONTINGENCIES

Grants

The District participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Cost 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 money received

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may be required and the collectability of any related receivable at December 31, 2015, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Claims and Litigation

The District may be involved in some legal actions relating to projects undertaken or attempted to be undertaken although the outcomes cannot be determined, the District believes any potential liability would not have a material impact on the financial condition of the District.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.