

**ROSEAU RIVER WATERSHED DISTRICT  
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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**ROSEAU RIVER WATERSHED DISTRICT**  
OFFICIALS DIRECTORY  
DECEMBER 31, 2021

BOARD OF MANAGERS

Carter Diesen	Chairperson
Jason Braaten	Vice-Chair
Cody Schmalz	Secretary
Tony Wensloff	Treasurer
LaVerne Voll	Manager

## INDEPENDENT AUDITOR'S REPORT

Board of Managers  
Roseau River Watershed District  
Roseau, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Roseau River Watershed District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

#### *Basis of Opinion*

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roseau River Watershed District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to the matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roseau River Watershed District's basic financial statements. The budgetary comparison schedule and schedule of fund balances by project are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and schedule of fund balances by project are fairly stated in all material respects in relation to the basic financial statements as a whole as described in the basis of accounting described in Note 1.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022 on our consideration of the Roseau River Watershed District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roseau River Watershed District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

April 14, 2022

**ROSEAU RIVER WATERSHED DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

As management of the Roseau River Watershed District, we offer readers of the Roseau River Watershed District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The cash position of Roseau River Watershed District exceeded its liabilities at the close of the recent fiscal year by \$1,592,192 (net cash position).
- The District's total net cash position decreased by \$35,059.
- The District's general fund ended the year with a fund balance of \$350,936.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Roseau River Watershed District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basis of Accounting.** The District has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's cash basis of accounting, revenues and expenses are recognized when cash transactions occur.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts and taxes receivable and related revenue not collected yet) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not paid yet) are not recorded in these financial statements. Therefore when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to display information about the Roseau River Watershed District taken as a whole.

Over time, increases or decreases in net position – cash basis may serve as a useful indicator of whether the financial cash position of the Roseau River Watershed District is improving or deteriorating.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**ROSEAU RIVER WATERSHED DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2021**

**Fund Financial Statements.** The fund financial statements focus on the individual parts of the District. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Roseau River Watershed District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Roseau River Watershed District are governmental funds.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Roseau River Watershed District maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of receipts, disbursements, and changes in fund balances for the General Fund, Special Revenue Fund, and Capital Projects Fund.

The basic government fund financial statements can be found on pages 11 through 14 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 24 of this report.

**ROSEAU RIVER WATERSHED DISTRICT'S NET CASH POSITION**

	2021	2020
<b>ASSETS:</b>		
Current assets	\$ 1,592,192	\$ 1,627,251
Total Assets	\$ 1,592,192	\$ 1,627,251
 <b>NET CASH POSITION</b>		
Restricted for ditch maintenance	\$ 1,420,550	\$ 1,820,467
Unrestricted	171,642	(193,216)
Total Net Cash Position	\$ 1,592,192	\$ 1,627,251

At the end of 2021 and 2020, the Roseau River Watershed District is able to report positive balances in net cash position.

**ROSEAU RIVER WATERSHED DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2021**

**ROSEAU RIVER WATERSHED DISTRICT'S CHANGE IN NET CASH POSITION**

Governmental activities resulted in a decrease of Roseau River Watershed District's net position from the year ended December 31, 2020 to the year ended December 31, 2021 in the amount of \$35,059. The details of the change are as follows:

	<u>2021</u>	<u>2020</u>
<b>RECEIPTS</b>		
Special assessments and charges for services	\$ 155,206	\$ 119,635
Operating grants	25,508	158,851
Capital grants	1,293,301	624,825
General revenues:		
Property taxes	384,909	367,969
Other intergovernmental	11,503	11,701
Interest	<u>5,058</u>	<u>22,854</u>
Total Receipts	<u>1,875,485</u>	<u>1,305,835</u>
<b>DISBURSEMENTS</b>		
General & administration	371,470	410,701
Project Development	-	13,905
Wetland Bank Credit	3,628	152,652
Maintenance projects	92,574	161,905
Flood control projects	1,401,658	1,011,512
Drainage projects	<u>41,214</u>	<u>2,304</u>
Total Disbursements	<u>1,910,544</u>	<u>1,752,979</u>
Change in Net Cash Position	<u>(35,059)</u>	<u>(447,144)</u>
Net Position - January 1	<u>1,627,251</u>	<u>2,074,395</u>
Net Position - December 31	<u>\$ 1,592,192</u>	<u>\$ 1,627,251</u>

**Financial Analysis of the Government's Funds**

At the end of the current fiscal year, Roseau River Watershed District's governmental funds reported combined ending fund balances (cash basis) of \$1,592,192. The total fund balance can be attributed to 1) General Fund, \$350,936, 2) Special Revenue Fund, \$1,420,550 and 3) Capital Projects Fund, \$(179,294).

**BUDGETARY HIGHLIGHTS**

**General Fund.** The General Fund actual receipts were more than budget by \$54,805 and actual disbursements were over budget by \$35,239 for the year ended December 31, 2021.

**ROSEAU RIVER WATERSHED DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
DECEMBER 31, 2021

**ADDITIONAL INFORMATION**

**Requests for Information.** This financial report is designed to provide a general overview of Roseau River Watershed District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Roseau River Watershed District, 714 6<sup>th</sup> Street Southwest, Roseau, Minnesota 56751 or contacting Tracy Halstensgard at (218) 463-0313.

**ROSEAU RIVER WATERSHED DISTRICT**  
**STATEMENT OF NET CASH POSITION**  
**DECEMBER 31, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 1,592,192</u>
<b>TOTAL ASSETS</b>	<u>1,592,192</u>
 <b>NET CASH POSITION</b>	
Restricted for ditch maintenance	1,420,550
Unrestricted	<u>171,642</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,592,192</u></u>

See Notes to the Basic Financial Statements

**ROSEAU RIVER WATERSHED DISTRICT**  
**STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$ 367,328	\$ 33,643	\$ 11,464	\$ -	\$ (322,221)
Administrative construction	4,142	-	14,044	-	9,902
Wetland Bank Credit	3,628	-	-	-	(3,628)
General maintenance projects	92,574	117,775	-	-	25,201
Flood control projects	1,401,658	3,788	-	1,293,301	(104,569)
Drainage projects	41,214	-	-	-	(41,214)
<b>Total Governmental Activities</b>	<b>\$ 1,910,544</b>	<b>\$ 155,206</b>	<b>\$ 25,508</b>	<b>\$ 1,293,301</b>	<b>(436,529)</b>
General Receipts:					
Property taxes					384,909
Intergovernmental (not restricted for special program)					11,503
MV Credits					5,058
Interest earnings					401,470
Total General Receipts					(35,059)
Changes in Net Cash Position					1,627,251
Net Cash Position, January 1					\$ 1,592,192
Net Cash Position, December 31					\$ 1,592,192

See Notes to the Basic Financial Statements

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

	General	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS</b>				
Cash and investments	\$ 171,642	\$ 1,420,550	\$ -	\$ 1,592,192
Due from other funds	179,294	-	-	179,294
 TOTAL ASSETS	 \$ 350,936	 \$ 1,420,550	 \$ -	 \$ 1,771,486
 <b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 179,294	\$ 179,294
 <b>CASH FUND BALANCE</b>				
Restricted for ditch maintenance	\$ -	\$ 1,420,550	\$ -	\$ 1,420,550
Unassigned	350,936	-	(179,294)	171,642
 TOTAL CASH FUND BALANCE (DEFICIT)	 \$ 350,936	 \$ 1,420,550	 \$ (179,294)	 \$ 1,592,192

See Notes to the Basic Financial Statements

**ROSEAU RIVER WATERSHED DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>RECEIPTS</b>				
Taxes	\$ 251,388	\$ -	\$ 133,521	\$ 384,909
Special assessments	-	113,474	2,501	115,975
Intergovernmental:				
State	19,133	5,560	739,738	764,431
RRWMB	-	-	521,738	521,738
Federal	-	-	44,143	44,143
Interest	641	2,158	2,259	5,058
Other	<u>33,643</u>	<u>1,800</u>	<u>3,788</u>	<u>39,231</u>
<b>TOTAL RECEIPTS</b>	<u>304,805</u>	<u>122,992</u>	<u>1,447,688</u>	<u>1,875,485</u>
<b>DISBURSEMENTS</b>				
Administration	271,272	10,708	85,348	367,328
Administrative construction	-	-	4,142	4,142
Wetland Bank Credit	-	-	3,628	3,628
General maintenance projects	13,967	49,943	28,664	92,574
Flood control projects	-	-	1,401,658	1,401,658
Drainage	<u>-</u>	<u>-</u>	<u>41,214</u>	<u>41,214</u>
<b>TOTAL DISBURSEMENTS</b>	<u>285,239</u>	<u>60,651</u>	<u>1,564,654</u>	<u>1,910,544</u>
Receipts Over (Under) Disbursements	19,566	62,341	(116,966)	(35,059)
<b>OTHER SOURCES AND USES:</b>				
Transfers in	-	-	482,292	482,292
Transfers out	<u>-</u>	<u>(482,292)</u>	<u>-</u>	<u>(482,292)</u>
<b>NET OTHER SOURCES AND USES</b>	<u>-</u>	<u>(482,292)</u>	<u>482,292</u>	<u>-</u>
Receipts Over Disbursements and Other Sources and Uses	19,566	(419,951)	365,326	(35,059)
Cash Fund Balance - January 1	<u>331,370</u>	<u>1,840,501</u>	<u>(544,620)</u>	<u>1,627,251</u>
Cash Fund Balance (Deficit) - December 31	<u>\$ 350,936</u>	<u>\$ 1,420,550</u>	<u>\$ (179,294)</u>	<u>\$ 1,592,192</u>

See Notes to the Basic Financial Statements

**ROSEAU RIVER WATERSHED DISTRICT**  
**STATEMENT OF NET CASH POSITION**  
**FIDUCIARY FUND**  
**DECEMBER 31, 2021**

ASSETS

Cash

\$ 19,694

LIABILITIES

Due to Red River Water Management Board

\$ 19,694

See Notes to the Basic Financial Statements

**ROSEAU RIVER WATERSHED DISTRICT**  
**STATEMENT OF CHANGES IN NET CASH POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Custodial Fund
ADDITIONS	
Taxes	
Beltrami County	\$ 243
Kittson County	1,625
Lake of the Woods County	94
Marshall County	1,137
Roseau County	130,423
Intergovernmental:	
MV credits	3,834
TOTAL ADDITIONS	137,356
 DEDUCTIONS	
Red River Watershed Management Board	137,959
TOTAL DEDUCTIONS	137,959
 CHANGE IN NET POSITION	(603)
 NET POSITION - BEGINNING	20,297
 NET POSITION - ENDING	\$ 19,694

See Notes to the Basic Financial Statements

**ROSEAU RIVER WATERSHED DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**

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.

**Basis of Presentation**

*Government-Wide Financial Statements*

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 governmental activities are generally 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 balance, 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  
DECEMBER 31, 2021

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.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects) where the expenditures are legally restricted for purposes specified in the grant or project agreements. The reporting entity includes the special revenue fund as a major fund.

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*

Custodial Fund

The fiduciary fund accounts for assets held by the District in a purely custodial capacity on behalf of the Red River Watershed Management Board. Since this 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.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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. 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 levy in the administrative fund, which is limited by state statute at \$250,000 and set by the Board for 2021 at \$250,000.

**Revenues**

In the Statement of Activities Arising From Cash Transactions, 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.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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.

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.

### **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.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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, 2021, the District's carrying amount of deposits was \$1,611,886 and the bank balance was \$1,663,339. 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.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

**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. All of the District's cash is held at Border State Bank of Roseau, Minnesota.

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**A. Plan Description**

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

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

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service.

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

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employees Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

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

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

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

## **B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2021, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary.

The Roseau River Watershed District's contributions to the General Employees Fund for the years ended December 31, 2021, 2020, and 2019 were \$11,048, \$10,732, and \$12,423, respectively.

## **NOTE 4 CONTINGENCIES**

### **Grants**

The District participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable at December 31, 2021, 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.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

**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 5 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.

**NOTE 6 DEFICIT FUND BALANCES**

The following special revenue and capital projects had deficit fund balances as of December 31, 2021:

<u>Fund</u>	<u>Project</u>	<u>Total</u>
Capital Projects	Project Development	\$ 13,905
Capital Projects	Wetland Bank Credit	153,996
Capital Projects	Palmville Maintenance	34,410
Capital Projects	West Intercept Maintenance	1,064
Capital Projects	Hay Creek Norland	115,762
Capital Projects	Other Maintenance	1,436
Capital Projects	Beltrami	158,629
Capital Projects	Whitney Lake	392,145
Capital Projects	WMA	357,991
Capital Projects	Side Water Inlets	27,065
Capital Projects	CD 16 Improvement	438,010
Capital Projects	River Restoration	102,421
Capital Projects	Lost River	56,775
Capital Projects	Hay Creek Subwatershed	78
Capital Projects	WD #4	57,657

The deficits are expected to be eliminated through future receipts or transfers.

**ROSEAU RIVER WATERSHED DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 7 INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2021 is as follows:

Transfers:

	Transfer In	Transfer Out
Capital Projects Fund	\$ 482,292	-
Special Revenue Fund	-	\$ 482,292
Total	\$ 482,292	\$ 482,292

The transfer made between funds is to recognize board actions to allocate funds to specific projects.

Due to / from other funds:

Receivable	Payable	Amount
General	Capital Projects	\$ 179,294

The purpose of the interfund loan is to cover cash shortages due to the timing of payments from the Red River Water Management Board for various capital projects in the engineering stage. The District expects to receive payment for most capital project disbursements from the Red River Water Management Board in 2022.

**NOTE 8 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

**ROSEAU RIVER WATERSHED DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits government acquisitions, risk financing and insurance related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically perform from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

**ROSEAU RIVER WATERSHED DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original & Final Budgeted Amounts	Actual Amounts	Final Budget to Actual Variance
<b>RECEIPTS</b>			
Property taxes:			
Roseau County	\$ 244,263	\$ 245,286	\$ 1,023
Kittson County	2,991	3,221	230
Marshall County	2,022	2,206	184
Lake of the Woods County	232	189	(43)
Beltrami County	492	486	(6)
Total property taxes	<u>250,000</u>	<u>251,388</u>	<u>1,388</u>
Intergovernmental:			
State:			
Other state aid	-	19,133	19,133
Total Intergovernmental	<u>-</u>	<u>19,133</u>	<u>19,133</u>
Other:			
Interest	-	641	641
Other	-	33,643	33,643
Total Other	<u>-</u>	<u>34,284</u>	<u>34,284</u>
<b>TOTAL RECEIPTS</b>	<u>250,000</u>	<u>304,805</u>	<u>54,805</u>
<b>DISBURSEMENT</b>			
Administration:			
Salaries and benefits	145,000	110,592	(34,408)
Manager's per diem and expenses	12,000	12,092	92
Dues and subscriptions	5,000	3,926	(1,074)
Engineering	4,000	16,277	12,277
Legal and accounting	20,000	21,525	1,525
Repairs and maintenance	8,000	56,300	48,300
Rent and utilities	4,650	3,529	(1,121)
Insurance	6,000	4,529	(1,471)
Telephone and internet	2,850	2,770	(80)
Office	12,725	30,296	17,571
Real estate taxes	13,000	7,742	(5,258)
Postage and delivery	-	447	447
Printing and advertising	-	1,247	1,247
Total Administration	<u>233,225</u>	<u>271,272</u>	<u>38,047</u>

See Notes to the Budgetary Comparison Schedule

**ROSEAU RIVER WATERSHED DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS**  
**GENERAL FUND – CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original &amp; Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Final Budget to Actual Variance</u>
General Maintenance Projects:			
Roseau River projects	\$ 5,400	\$ 13,967	\$ 8,567
Stream gauging	<u>11,375</u>	<u>-</u>	<u>(11,375)</u>
Total General Maintenance Projects	<u>16,775</u>	<u>13,967</u>	<u>(2,808)</u>
TOTAL DISBURSEMENTS	<u>250,000</u>	<u>285,239</u>	<u>35,239</u>
Excess Receipts Over Disbursements	-	19,566	19,566
Cash Fund Balance, January 1	<u>331,370</u>	<u>331,370</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 331,370</u>	<u>\$ 350,936</u>	<u>\$ 19,566</u>

See Notes to the Budgetary Comparison Schedule

**ROSEAU RIVER WATERSHED DISTRICT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – BUDGETARY COMPARISON**

The budget is prepared using the same method of accounting as the financial statements. The budget presented for the general fund is presented in accordance with the cash basis of accounting. All appropriations lapse at year-end.

The budget is adopted through passage of a resolution by the board. Administration can authorize the transfer of budgeted amounts with the general fund. The State imposed an administrative budget limit of watershed districts of \$250,000.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2021, expenditures exceeded appropriations in the general fund by \$35,239. The over expenditures were funded by greater than anticipated revenues.

**ROSEAU RIVER WATERSHED DISTRICT**  
**SCHEDULE OF FUND BALANCES BY PROJECT-CASH BASIS**  
**DECEMBER 31, 2021**

	Fund Balance 1/1/2021	Receipts and Other Sources					Disbursements			Fund Balance 12/31/2021		
		Equity Transfer	Taxes and Special Assessments	Capital & Operating Grants	Other Receipts	Allocated Interest	Total	Administrative	Direct Project		Total	Transfers
<b>GENERAL FUND:</b>												
Administrative	\$ 328,685	\$ 2,685	\$ 251,388	\$ 19,133	\$ 33,643	\$ 641	\$ 304,805	\$ 271,272	\$ 13,967	\$ 285,239	\$ -	\$ 350,936
<b>SPECIAL REVENUE FUND:</b>												
Watershed Ditch #3	12,234	-	8,550	-	-	-	8,550	-	2,457	2,457	-	18,327
County Ditch #8	22,277	-	6,327	-	-	-	6,327	78	6,215	6,293	-	22,311
Ditch #16	(22,516)	20,034	3,657	-	-	-	3,657	854	-	854	-	321
State Ditch #51	1,808,472	-	94,940	5,560	1,800	2,158	104,458	9,776	41,271	51,047	(482,292)	1,379,591
<b>Total Special Project Fund</b>	<b>1,820,467</b>	<b>20,034</b>	<b>113,474</b>	<b>5,560</b>	<b>1,800</b>	<b>2,158</b>	<b>122,992</b>	<b>10,708</b>	<b>49,943</b>	<b>60,651</b>	<b>(482,292)</b>	<b>1,420,550</b>
<b>CAPITAL PROJECTS FUND:</b>												
Administrative Construction	1,294,127	455	133,522	17,878	-	2,259	153,659	-	4,142	4,142	-	1,444,099
Project Development	(13,905)	-	-	-	-	-	-	-	-	-	-	(13,905)
Wetland Bank Credit	(150,368)	-	-	-	-	-	-	-	3,628	3,628	-	(153,996)
<b>Maintenance:</b>												
Palmville Maintenance	(33,258)	-	-	-	-	-	-	777	375	1,152	-	(34,410)
West Intercept Maintenance	(2,012)	-	2,500	-	-	-	2,500	1,010	542	1,552	-	(1,064)
Hay Creek Norland	(81,181)	-	-	-	-	-	-	6,834	27,747	34,581	-	(115,762)
Weed Management	732	-	-	-	-	-	-	-	-	-	-	732
Other	(981)	(455)	-	-	-	-	-	-	-	-	-	(1,436)
<b>Flood Control:</b>												
Beltrami	(155,944)	(2,685)	-	-	-	-	-	-	-	-	-	(158,629)
Whitney Lake	(317,815)	-	46,938	-	-	-	46,938	4,877	116,391	121,268	-	(392,145)
Lake Bottom	(566,373)	-	-	992,556	-	-	992,556	33,983	703,728	737,711	482,292	170,764
WNWA	(356,438)	-	-	-	-	-	-	1,553	-	1,553	-	(357,991)
Hay Creek Norland	112,997	-	-	-	-	-	-	-	-	-	-	112,997
Side Water Inlets	(32,480)	-	-	6,945	-	-	6,945	-	1,530	1,530	-	(27,065)
CD 16 Improvement	(62,982)	(20,034)	-	-	213	-	213	8,711	346,496	355,207	-	(438,010)
River Restoration	(127,176)	-	-	223,347	-	-	223,347	395	198,197	198,592	-	(102,421)
Lost River	(25,802)	-	-	17,955	-	-	17,955	13,612	35,316	48,928	-	(56,775)
Hay Creek Subwatershed	-	-	-	-	-	-	-	78	-	78	-	(78)
Oak Crest Coulee	-	-	-	-	3,575	-	3,575	117	-	117	-	3,458
<b>Drainage:</b>												
WD #4	(3,042)	-	-	-	-	-	-	13,401	41,214	54,615	-	(57,657)
<b>Total Capital Project Fund</b>	<b>(521,901)</b>	<b>(22,719)</b>	<b>136,022</b>	<b>1,305,619</b>	<b>3,788</b>	<b>2,259</b>	<b>1,447,688</b>	<b>85,348</b>	<b>1,479,306</b>	<b>1,564,654</b>	<b>482,292</b>	<b>(179,294)</b>
<b>TOTAL</b>	<b>\$ 1,627,251</b>	<b>\$ -</b>	<b>\$ 500,884</b>	<b>\$ 1,330,312</b>	<b>\$ 39,231</b>	<b>\$ 5,058</b>	<b>\$ 1,875,485</b>	<b>\$ 367,328</b>	<b>\$ 1,543,216</b>	<b>\$ 1,910,544</b>	<b>\$ -</b>	<b>\$ 1,592,192</b>

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers  
Roseau River Watershed District  
Roseau, 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 cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of Roseau River Watershed District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2022. Roseau River Watershed District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Purpose of the Report

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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

April 14, 2022

**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 Managers  
Roseau River Watershed District  
Roseau, Minnesota

We have audited, in accordance with the 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, each major fund, and the remaining fund information of Roseau River Watershed District, as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the District's cash basis basic financial statements, and have issued our report thereon dated April 14, 2022. Roseau River Watershed District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### **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 for designing 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 Roseau River Watershed District's internal control.

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-002 and 2021-003 to be significant deficiencies.

### **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 financial statements. 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*.

### **Roseau River Watershed District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Roseau River Watershed District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Roseau River Watershed District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

April 14, 2022

**ROSEAU RIVER WATERSHED DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Deficiency 2021-001 – Material Weakness**

Criteria: Generally, a system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition: There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause: Size and budget constraints limiting the number of personnel within the District's accounting department.

Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The controls should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

View of Responsible Officials: The corrective action will be determined by management when it becomes cost effective to implement proper segregation of accounting duties.

**ROSEAU RIVER WATERSHED DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Deficiency 2021-002 – Significant Deficiency**

Criteria: An appropriate system of internal control requires the District to prepare financial statements in compliance with the cash basis of accounting.

Condition: The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the cash basis of accounting. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause: The District elected to not allocate resources for the preparation of the financial statements.

Effect: There is an increased risk of material misstatement to the District's financial statements.

Recommendation: We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statements and to review the financial statements disclosure checklist.

View of Responsible Officials: The District agrees with the recommendation and will review on an annual basis.

**ROSEAU RIVER WATERSHED DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Deficiency 2021-003 – Significant Deficiency**

Criteria: The District currently does not have enough cash resources in the capital projects fund.

Condition: The District's cash fund balance in the capital projects fund is negative. Cash deficits caused by timing issues on when money is received from the Red River Water Management Board are being covered by the general and special projects funds.

Cause: The District expends the funds and then requests reimbursements from grantors. The requests were not made until 2022.

Effect: The District is utilizing general fund dollars in order to meet the cash needs of its capital project fund that is on a cash basis.

Recommendation: We recommend the District continually monitor its cash balances and request reimbursements or advances in order to exercise proper cash management over capital project funds.

View of Responsible Officials: The District agrees with the recommendation and will implement immediately.