

2010

Roseau River Watershed District
Annual Report



2010 DISTRICT INFORMATION

OFFICE INFORMATION

The Roseau River Watershed District office is located at 108 3rd Ave. SW, Roseau. The mailing address is PO Box 26, Roseau MN 56751. The phone number is (218) 463-0313, the fax number is (218) 463-0315 and the e-mail address is rrwd@mncable.net. Office hours are 8 a.m. - 4 p.m., Monday - Friday. The Board holds regular business meetings, on the first Wednesday of each month, at 8:00 a.m. 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 2010 members were:

*CHAIRMAN – Todd Miller
52630 COUNTY ROAD
WARROAD, MINNESOTA 56763*

*VICE CHAIRMAN- LaVerne Voll
235572 520th AVENUE
SALOL, MINNESOTA 56756*

*SECRETARY - LEROY CARRIERE
504 4th AVENUE NE
ROSEAU, MINNESOTA 56751*

*TREASURER-FLOYD HAUGEN
25241 COUNTY ROAD 16
BADGER, MINNESOTA 56714*

*MANAGER- ALLISON FRISLIE
3873 47TH AVE
LANCASTER, MINNESOTA 56735*

EMPLOYEES AND CONSULTANTS

The District does have a regular full-time employee and one permanent part-time employee. Citizens are encouraged to contact the administrator, a manager, staff or the consultants at any time with their concerns or suggestions.

Administrator - Rob Sando

Administrative Assistant - Tracy Halstengard

Attorney - Patrick D. Moren, Roseau

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

BACKGROUND

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 Roseau River Watershed District 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 and the plan is on file in the Roseau River Watershed office.

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 Roseau River Watershed 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.

PROJECT STATUS - PROJECTS COMPLETED

Kveen / Pontow Ring Dike



In 2010 The RRWD partnered with the NRCS, RRWMB and landowners to construct a farmstead ring dike. This particular ring dike was unique in that there were two landowners involved, one landowner owning the house and garage, the other owning the farm buildings and grain bins. HDR Engineering designed the ring dike and monitored construction. In August, the construction contract was awarded to LaValla Sand and Gravel of Baudette, Minnesota. Construction was completed in November.

West Interceptor Project

Background: The West Interceptor Project is a multipurpose flood control and native prairie/wetland restoration project. This project provides flood relief to the City of Roseau and natural resource enhancements for the area. The City of Roseau petitioned the Roseau River Watershed Board of Managers in June of 2003 for the West Interceptor Project. The project received funding from the U.S. EDA., SBA and the State of Minnesota and Roseau River Watershed District. The total cost for completion of this project was just over 4 million dollars.

The project consists of the construction of a new 7.5 mile channel, 1 mile west of the City of Roseau, starting 2 miles south of Highway #89/MN Highway 11 to an outlet in the Roseau River approximately 5 miles northwest of Roseau. The project includes the conversion of approximately 595 acres of agricultural land to prairie lands, grasslands and wetlands.

The RRWD Board of Managers awarded the construction of the project to Gladen Construction of Laporte, Minnesota in the spring of 2006. Construction of the project began in July and was completed in November of 2008.



Side water inlet washout



Repaired side water inlet

Status: Regular maintenance and repair of the project has been ongoing since completion. In 2010 a side water inlet washout was repaired. The West Interceptor corridor was inspected and found to be in good repair with minor cattail issues that will be monitored. The corridor was also mowed and hayed in the summer of 2010.

Roseau River Duxby Levee

This Corps of Engineers local flood control project was planned, designed, and authorized under the provisions of the 1965 Flood Control Act (Public Law 89-298) and the 1988 Water Resources Development Act (Public Law 100-676).

The flood barrier consists of about 6 miles of earth levees; and road raises. Proper operation of the Duxby Levee flood control project will provide flood protection against a 5 year flood (a flood with 20% chance of occurring in any given year) on the Roseau River (SD #51). The levee is designed for a capacity of 2,600 cubic feet per second with 2.5 feet of freeboard.

The Corps started construction of the Duxby Levee feature independent of the rest of the Roseau River project in 1991. Construction was completed in 1992 and was finalized in 1993. FEMA DR #1288 indicated a repair was necessary after inspecting the dike at the west end of the levee. The RRWD Board of Managers completed the repair (DR #1288) on the duxby levee on the west end of the levee in 2006. Approximately 1,000 feet of the levee was repaired under DR 1288 which included the relocation of that portion of the levee and sloughing areas of the levee. The last annual inspection by the COE in 2007 showed the dike to be in good repair with minor alterations of the levee. Activities in 2010 were the required mowing.

Trangrud Bridge Public Water Access

The RRWD in cooperation with the MN DNR and Roseau County assisted in the establishment of a public water access west of the CR #113 bridge over the Roseau River (SD #51). The access was completed with cement slat boards for access and a parking area for fishing and river enthusiasts.

PROJECTS UNDER CONSTRUCTION

The District has a number of projects in various phases of development. They are:

Palmville Project

Background:

The District, in the fall of 2006, hired Engineer Nate Dalager from HDR Engineering to coordinate the Project Team process for the project and to develop a preliminary engineering plan proposal for construction of a flood damage reduction and fen restoration project in the Palmville area. A petition was drafted to the Roseau County Commissioners for the project. A public hearing was held and the Commissioners accepted the project.



There has been extensive cooperation with the MN DNR and Wildlife Manager Randy Prachar in developing the project and also with the operation and maintenance plan for the project.

Holte Construction was awarded the bid for the project and construction commenced in the winter of 07, Spring 08. The project is about 95% completed and the district anticipates that it will be completed in the 10/11 season. Annual ground water monitoring continues during the growing season. We are in the 4th year of monitoring.

Status: In 2010 the RRWD Board of Managers continued to work with the DNR on a Joint Powers Agreement and Operation and Maintenance Plan for the project. There was continued construction in 2010 and will continue during the 2011 construction season.

Hay Creek Project

Background: The Primary purpose of this project is to provide a 50% reduction in the 10-year and a 30% reduction in the 100-year discharges from the Hay Creek / Norland drainage area, contributing to the Roseau River at its confluence approximately 4 miles downstream of the City of Roseau. In the Hay Creek Norland area alone, the flood damage reduction would include increased protection, less flood depth, and reduced flooding duration, directly improving 13,300 acres of agricultural land, 24 miles of roads, 131 miles of ditches and 27 culverts and bridges previously prone to flood damages.

The District had initiated the Hay Creek Project, ordered an engineering study and purchased much of the land for the possible project in the early 1990's. In 1993, the project was renamed (the previous name was the Lost River Project) and a Step 1 Submittal was made to the Red River Watershed Management Board. In 1994, a draft Engineer's Report was completed and in 1995 the project was released by the Corps of Engineers. In 1996, the District revised an expanded version of the project that provided increased storage capacity. This was done after a preliminary report on Norland's original design showed that while flows downstream, as well as the backwater effect in Roseau would have been reduced during the April flood, the project had a lesser effect on the higher flows associated with the 1997 May flood.

Since the initial submittal of the project, the focus has changed for the project. The COE had been attempting a Section 206 (Aquatic Ecosystem restoration). The project had been delayed and the RRWD Board of Managers was informed in January of 2005 that funding for the project from the COE was no longer available.

In the summer of 2006 the District hired Nate Dalager from HDR Engineering to coordinate and develop a preliminary engineering plan for the project. There were several Project Team meeting held in accordance with the Mediation Agreement. In 2008 the district purchased all of the properties along the corridor of Hay Creek that were required for the project as well as the properties required for the connection channel between the corridor and the impoundment.



In 2009 the RRWD Board of Managers awarded the construction of Phase 1 (Hay Creek Corridor) to North Pine Excavating, Phase 3 (Connection Channel) to All Seasons Excavating and Phase 2A (Outlet Structures) to Wagner Construction and ICS. Construction of Phases 1 and 3 was completed in 2010.

Phase 2 of the project was awarded to Spruce Valley Corporation in 2010. Construction of Phase 2 continued through the winter of 2010. Anticipated completion date of the project is the summer of 2012.

The RRWD will continue to do annual monitoring of the project as specified in the COE permit.



Status: The bid was awarded for Phase 2 (Norland Impoundment) to Spruce Valley Corporation in 2010. Construction of Phase 2 of the project began in 2010. The contractor was able to continue work through December 2010.

PROJECTS UNDER INVESTIGATION

The District's primary focus is on ways to reduce damage from excess floodwaters. The District is continuing to investigate possible project areas upstream of Roseau (Beltrami Island State Forest), and downstream of Roseau (Roseau River Wildlife Management Area, and the old Roseau Lakebed).

Roseau River Wildlife Management Area (RRWMA)

DESCRIPTION: The RRWMA is a 63,000 acre wildlife management area located in the Northwest portion of Roseau County consisting of wet meadows, lowland brush, marshes, aspen stands and four open water pools. In August of 1986 the District entered into an agreement with the State of Minnesota to construct two emergency spill ways in the RRWMA as part of a project undertaken by the Department of Natural Resources. The total project consisted of upgrading 26 miles existing wildlife dikes, replacing three outlet control structures and replacing three sheet pile emergency spillways at a cost of \$1,100,000.00. As a project participant, the RRWD receives additional floodwater retention in pools #2 and #3 for spring runoff. The RRWD has an agreement with the State of Minnesota for Pool #2 to be drawn down to an elevation of 1029.0 and for Pool #3 to be drawn down to 1024.0 every year in the fall. The possibility of improving the ability to manage the water in Pool 3 as well as allow for better timing of flood water storage is being investigated by the RRWD Board and the Mn DNR. Project Team meetings were held to discuss the proposed project. In June of 2006 a draft Alternatives Analysis was completed. From 2007 to 2009 discussions on funding and preferred alternatives took place between the RRWD Board and MN DNR personnel without resolution.

STATUS: As of 2010 the RRWD Board of Managers still considers this a desirable project and plan to pursue it in the future. In 2011 the District will continue to work with MN DNR representatives to plan a project that will allow for better management of pool elevations and reducing peak water flows on SD 51 and the RRWMA.

Beltrami Island Projects

STATUS: The District will continue to pursue the restoration of damaged FDR structures, culvert sizing and water conservation projects in the Beltrami Island State Forest area. Utilizing the Project Team process, the Board will continue to work with Federal, State and Local agencies in the pursuit of FDR and NRE goals. There was a project team meeting/RRWD special meeting held in September of 2010.

Roseau Lake Bottom Project

STATUS: The District has identified the rehabilitation of the Roseau Lake in the RRWD Overall Plan. The purpose of this project, as mentioned in the Comprehensive Water Management Plan (Appendix 13 of the RRWD Overall Plan), is to improve the benefits from the available storage while also restoring some NRE benefits to the lakebed. The District will continue to work with MN DNR representatives in evaluating project proposals for this area. Administrator Sando coordinated with Commissioner Falk in identifying and organizing a Citizens Advisory Committee that would meet in 2011.

Malung Impoundment

DESCRIPTION: The Roseau River Watershed District Board of Managers in 2009 established the Malung Impoundment as a project. The proposed dry impoundment would hold approximately 3,500 acre feet of water and would offer a direct benefit to the City of Roseau when operated during high water events.

STATUS: In 2010 this project was not being actively pursued by the RRWD Board.

DRAINAGE SYSTEMS

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

Watershed Ditch No.1

This ditch is a one mile 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. The 2010 inspection showed the ditch to be in good repair.

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 $\frac{3}{4}$ 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. The 2010 inspection showed laterals 1 & 2 to be in good repair. A survey of Lateral 3 showed areas requiring cleaning with a note that the 2 culverts under County Road #10 were in need of replacement. The culvert replacement took place in the fall of 2010 in cooperation with Roseau County. Cleaning of lateral 3 is scheduled to take place in 2011.

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.

Roseau County Ditch No. 16

This ditch located in Deter and Ross Townships, was turned over for administration and management to the Watershed District.

The 2010 inspection showed the ditch to be in good repair. A survey was completed that showed areas of sedimentation. The District has scheduled cleaning to take place in 2011.

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. The 2010 inspection showed the ditch to be in fair repair with areas of cattail and brush. Maintenance and cleaning will be scheduled to take place in 2011.

PROGRAM ACTIVITY

Permits Issued:

In 2010 the district approved 25 permits for the following activities: installation of culverts for field drainage and driveway accesses, ditch slope repair, ag-diking, and culvert replacement.

Data Collection:

The district utilizes staff gages at strategic locations within the watershed. These gages are read by volunteers and staff who read the gages when high water events occur. The collections of readings help the Watershed determine the amount and timing of high water throughout the watershed.

PRAP (Performance Review and Assistance Program) review

The Board of Water and Soil Resources (BWSR) conducted a Level 2 PRAP review of the watershed district in 2010. The BWSR recommendation was for the watershed to address 5 action items identified in the report. They commended the district on an ambitious agenda for implementing projects and completing 3 major FDR projects and actively pursuing 2 other projects.

DISTRICT MEETINGS

In 2010, the Board held 12 regular monthly meetings and 4 special meetings. The Board minutes are available for inspection by contacting the Administrator.

NON-DISTRICT MEETINGS

On December 2nd, 3rd, and 4th, 2010, Managers LeRoy Carriere, Todd Miller and Administrator Rob Sando 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.

The Red River Watershed Management Board (RRWMB) delegate in 2010 was Manager Todd Miller. The District also participates in an annual conference sponsored by RRWMB and FDRWG held in March of each year.

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 2010 were Managers LaVerne Voll and Floyd Haugen.

DESCRIPTION OF PROGRAMS

The Roseau River Watershed District is established under and has the powers delineated in Minnesota Statutes Chapter 103D. The programs in place include a permitting authority for activities within the District that will impact the water resources of the District, establishment and maintenance of legal drainage ditches and the authority to implement and/or conduct other projects and/or programs to effectively manage the water resources of the District.

Overall Plan

In 2004 the district completed an updated version of the overall plan. This was a result of over 2 years of meeting with an overall planning work group. The updated version of the overall plan is available in the districts office for review or upon request. As the RRWD Board of Managers continue to work on effectively reducing flood damage reduction efforts, the Board of Managers will ensure that any future projects will follow the guidelines of their overall plan goals and objectives.

Mediation Process /Project Teams

In the early to mid 1990's, FDR projects in the Red River Valley were suspended pending completion of an EIS (Environmental Impact Statement). The report was challenged in state district court by the watershed districts' and the Red River Watershed Management Board. In 1997 the Minnesota Legislature authorized funding for a mediation process to attempt resolution of the disputed issues in the EIS.

The mediation was set up to seek resolution of the issues in a positive manner and allow for implementation of the most effective and environmentally friendly alternatives that would

accomplish flood damage reduction. As a result of this process, goals, principles and strategies were addressed and agreed upon.

A comprehensive watershed planning process was developed. As a result each of the watershed districts of the Red River Valley have developed "Project Teams" comprised of various local, state and federal agencies, local landowners, watershed Board members, watershed staff and other local interest groups which assist the watershed with recommendations to the board of managers for various projects.

The RRWD Board of Managers utilizes the project team process quite extensively and currently has project teams for all of the proposed projects they are currently working on.

BUDGET

The budget adopted at the September, 2009 hearing for 2010 locally funded expenditures is as follows:

Administrative Budget:

| | |
|--------------------------------|---------------|
| 1. Managers per Diem & expense | \$ 20,000.00 |
| 2. Staff | \$ 83,600.00 |
| 3. Engineering | \$ 10,000.00 |
| 4. Payroll Expense | \$ 16,000.00 |
| 5. Mileage Reimbursement | \$ 14,000.00 |
| 6. Conferences & Meetings | \$ 6,200.00 |
| 7. Rent | \$ 8,000.00 |
| 8. Capital Outlay | \$ 12,000.00 |
| 9. Office Expense | \$ 9,000.00 |
| 10. Insurance | \$ 15,000.00 |
| 11. Professional & Legal | \$ 20,000.00 |
| 12. Association Dues | \$ 2,500.00 |
| 13. Real Estate Tax | \$ 30,000.00 |
| | ----- |
| Total | \$ 246,300.00 |

Construction Budget:

| | |
|---|---------------|
| 1. Red River Watershed Management Board | \$ 124,050.00 |
| 2. RRWD Construction Fund | \$ 124,050.00 |
| | ----- |
| Total | \$ 248,100.00 |

Financial Summary

This section summarizes the District's financial activity for 2010. 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.

Administrative 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 0.048 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 0.0486 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, 2010) as augmented with the Legal Compliance.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH ASSETS
DECEMBER 31, 2010

| | Governmental <u>Activities</u> |
|---------------------------------|-----------------------------------|
| ASSETS | |
| Cash and investments | \$ <u>1,378,875</u> |
| TOTAL ASSETS | \$ <u>1,378,875</u> |
| NET CASH ASSETS | |
| Restricted for Capital Projects | \$ 1,161,635 |
| Unrestricted (deficit) | <u>217,240</u> |
| TOTAL NET ASSETS | \$ <u>1,378,875</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, 2010

| <u>FUNCTION</u> | <u>Program Receipts and Sources</u> | | | | <u>Net Cash</u> |
|--|-------------------------------------|---|---|---|---|
| | <u>Disbursements</u> | <u>Fees, Assessments and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Sources (Uses) and Change in Net Cash Assets</u> |
| | | | | | <u>Governmental Activities Total</u> |
| Governmental Activities: | | | | | |
| Administration | \$ 192,552 | \$ 2,707 | \$ - | \$ - | (189,845) |
| Administrative construction | 192,597 | 22,581 | 16,624 | - | (153,392) |
| General maintenance projects | 41,540 | 122,957 | - | 23,766 | 105,183 |
| Flood control projects | 2,764,117 | 48,292 | - | 2,365,163 | (350,662) |
| Drainage projects | <u>25,734</u> | <u>(1)</u> | <u>-</u> | <u>22,273</u> | <u>(3,462)</u> |
| Total Governmental Activities | <u>3,216,540</u> | <u>196,536</u> | <u>16,624</u> | <u>2,411,202</u> | <u>(592,178)</u> |
| General Receipts: | | | | | |
| Property taxes | | | | | 328,100 |
| Intergovernmental (not restricted for special program) | | | | | |
| MV Credits | | | | | 52,754 |
| Interest earnings | | | | | <u>18,111</u> |
| Total General Receipts | | | | | <u>398,965</u> |
| Changes in Cash Net Assets | | | | | (193,213) |
| Net Cash Assets, January 1 | | | | | <u>1,572,088</u> |
| Net Cash Assets, December 31 | | | | | \$ <u>1,378,875</u> |

See notes to the basic financial statements.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | <u>General</u> | <u>Capital Project Fund</u> | <u>Total</u> |
|--|----------------|-------------------------------------|----------------|
| ASSETS | | | |
| Cash and investments | \$ 217,240 | \$ 1,161,635 | \$ 1,378,875 |
| TOTAL ASSETS | \$ 217,240 | \$ 1,161,635 | \$ 1,378,875 |
| CASH FUND BALANCE | | | |
| Reserved | - | 1,161,635 | 1,161,635 |
| Unreserved (deficit) reported in General fund | <u>217,240</u> | <u>-</u> | <u>217,240</u> |
| TOTAL CASH FUND BALANCE | \$ 217,240 | \$ 1,161,635 | \$ 1,378,875 |

See notes to the basic financial statements.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENT AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|------------------------------------|-------------------|--------------------------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 218,733 | \$ 109,367 | \$ 328,100 |
| Special assessments | - | 116,002 | 116,002 |
| Intergovernmental: | | | |
| State | 43,497 | 2,104,710 | 2,148,207 |
| RRWMB | - | 308,607 | 308,607 |
| Federal | - | 23,766 | 23,766 |
| CRP and rents | 886 | - | 886 |
| Interest | 1,316 | 16,795 | 18,111 |
| Other | <u>1,821</u> | <u>77,827</u> | <u>79,648</u> |
| TOTAL REVENUES | <u>266,253</u> | <u>2,757,074</u> | <u>3,023,327</u> |
| EXPENDITURES | | | |
| Administration | 175,784 | 16,768 | 192,552 |
| Administrative construction | - | 192,597 | 192,597 |
| General maintenance projects | 14,810 | 26,730 | 41,540 |
| Flood control projects | - | 2,764,117 | 2,764,117 |
| Drainage projects | - | <u>25,734</u> | <u>25,734</u> |
| TOTAL EXPENDITURES | <u>190,594</u> | <u>3,025,946</u> | <u>3,216,540</u> |
| Revenues Over (Under) Expenditures | 75,659 | (268,872) | (193,213) |
| Fund Balance - January 1 | <u>141,581</u> | <u>1,430,507</u> | <u>1,572,088</u> |
| Fund Balance - December 31 | <u>\$ 217,240</u> | <u>\$ 1,161,635</u> | <u>\$ 1,378,875</u> |

See notes to the basic financial statements.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
DECEMBER 31, 2010

ASSETS

| | |
|----------------------|-----------|
| Cash and investments | \$ 40,240 |
|----------------------|-----------|

LIABILITIES

| | |
|-----------------------------------|-----------|
| Due to Red River Management Board | \$ 40,240 |
|-----------------------------------|-----------|

See notes to the basic financial statements.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2010

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. C, 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). Generally accepted accounting principles include all relevant Governmental Accounting Standards (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, have been applied, to the extent applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements.

A. Reporting Entity

The financial statements of the District include all organizations, funds and account groups over which the District's Board exercises significant influence over and, or is financially accountable or organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the Roseau River Watershed District's financial statements to be misleading. Currently, the District does not have any component units.

B. Basis of Presentation

Government-Wide Financial Statement

The Statement of Net Cash Assets 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 and expenditures. Funds are typically organized into two categories: governmental, fiduciary and proprietary. The District currently has no proprietary.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% 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.

C. 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 government-wide Statement of Net Cash Assets and the 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:

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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 spend able financial resources during a given period. These funds use fund balances as their measure of available spend able financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Cash Assets and Statement of Activities Arising From Cash Transactions governmental activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenditures when they result from cash transactions. 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 good 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.

D. Budgets

The budget is prepared using the same method of accounting as the financial statements. The annual adopted budget is not legally binding of 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 2010 at \$249,300.

E. Revenues

In the Statement of Activities, cash basis revenues 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.

F. Property Taxes

The District levies property taxes on property owners within the District, which becomes an enforceable lien as of January 1. Taxes are levied in September and are payable to counties on May 15 and October 15 (November 15 for farm property). The District levies the tax, while the respective counties collect and remit the tax collections to the District. 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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

G. 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. Funds with deficit averages are charged with the investment earnings lost in financing the deficits.

H. Equity

In the government-wide financial statements equity is classified as "net assets" and displayed in two components:

1. Restricted Net Assets - Consists of net assets 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.
2. Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Interfund Balances

I.

In the process of aggregating the fund information for the government-wide Statement of Net Assets 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

J.

The preparation of financial statements, in conformity with a comprehensive basis of accounting other than general 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.

Subsequent Events

- K. The Company has evaluated subsequent events through June 10, 2011, the date which the financial statements were available to be issued.

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).

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 BASIC FINANCIAL STATEMENTS

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.

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 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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.

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. 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 6.00%, respectively, of their annual covered salary in 2010. The Roseau River Watershed District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.0% for Coordinated Plan GERF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$5,508, \$5,315 and \$5,162 respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. 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; and natural disasters. The District carries commercial insurance coverage's on its commercial property and for liability, personal and advertising injury, non-owned auto and a miscellaneous floater. Insurance coverage has not been reduced from the prior year, and settlements have not exceeded insurance coverage in any of the past three years.

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 may be required and the collectability of any related receivable at December 31, 2010, 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.

REQUIRED SUPPLEMENTARY INFORMATION

ROSEAU RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-----------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| RECEIPTS | | | | |
| Property taxes: | | | | |
| Roseau County | \$ 242,097 | \$ 242,097 | \$ 214,970 | \$ (27,127) |
| Kittson County | 2,074 | 2,074 | 1,910 | (164) |
| Marshall County | 1,461 | 1,461 | 1,524 | 63 |
| Lake of the Woods County | 252 | 252 | 35 | (217) |
| Beltrami County | 416 | 416 | 294 | (122) |
| Total property taxes | <u>246,300</u> | <u>246,300</u> | <u>218,733</u> | <u>(27,567)</u> |
| Intergovernmental: | | | | |
| State: | | | | |
| Other state aid | - | - | 43,497 | 43,497 |
| Total Intergovernmental | <u>-</u> | <u>-</u> | <u>43,497</u> | <u>43,497</u> |
| Other: | | | | |
| CRP and rents | - | - | 886 | 886 |
| Interest | - | - | 1,316 | 1,316 |
| Other | - | - | 1,821 | 1,821 |
| Total Other | <u>-</u> | <u>-</u> | <u>4,023</u> | <u>4,023</u> |
| TOTAL RECEIPTS | <u>246,300</u> | <u>246,300</u> | <u>266,253</u> | <u>19,953</u> |
| DISBURSEMENT | | | | |
| Administrative: | | | | |
| Salaries and benefits | 99,600 | 99,600 | 78,925 | 20,675 |
| Conference and meetings | 6,200 | 6,200 | - | 6,200 |
| Manager's per diem and expenses | 34,000 | 34,000 | 16,106 | 17,894 |
| Due and subscriptions | 2,500 | 2,500 | 2,324 | 176 |
| Engineering | 10,000 | 10,000 | 1,476 | 8,524 |
| Legal and accounting | 20,000 | 20,000 | 14,141 | 5,859 |
| Real estate taxes | 30,000 | 30,000 | 35,696 | (5,696) |
| Rent | 8,000 | 8,000 | - | 8,000 |
| Repairs, maintenance, capital outlay | 12,000 | 12,000 | 150 | 11,850 |
| Insurance | 15,000 | 15,000 | 10,292 | 4,708 |
| Telephone and internet | - | - | 2,544 | (2,544) |
| Office | 9,000 | 9,000 | 12,633 | (3,633) |
| Postage and delivery | - | - | 741 | (741) |
| Printing and advertising | - | - | 756 | (756) |
| Total Administrative | <u>246,300</u> | <u>246,300</u> | <u>175,784</u> | <u>70,516</u> |

ROSEAU RIVER WATERSHED DISTRICT
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------|------------|-------------------|---|
| | Original | Final | | |
| Projects: | | | | |
| Construction | \$ - | \$ - | \$ 70 | \$ (70) |
| Stream gauging | - | - | 14,740 | (14,740) |
| Capital Outlay | - | - | - | - |
| Total Projects | - | - | 14,810 | (14,810) |
| | | | | |
| TOTAL DISBURSEMENTS | 246,300 | 246,300 | 190,594 | 55,706 |
| | | | | |
| Excess Revenues Over (Under) Expenditures | - | - | 75,659 | 75,659 |
| | | | | |
| Fund Balance, January 1 | 141,581 | 141,581 | 141,581 | - |
| | | | | |
| Fund Balance, December 31 | \$ 141,581 | \$ 141,581 | \$ 217,240 | \$ 75,659 |

BUDGET NOTES

Budgets are prepared by the District on the same basis of accounting used in the preparation of its financial statements. The budget presented in this report 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 and administrative budget limit on watershed districts of \$250,000 for the year ended December 31, 2010.

