



2018 Annual Report

www.roseauriverwd.com

714 6th street SW, Roseau MN 56751

2018 DISTRICT INFORMATION

OFFICE INFORMATION

The Roseau River Watershed District (RRWD) office is located at 714 6th Street SW, Roseau and is open 8 a.m. - 4 p.m., Monday - Friday. The phone number is (218) 463-0313, the fax number is (218) 463-0315 and the e-mail address is rrwd@mncable.net.

In 2018 the Board held regular business meetings, on the first Wednesday of each month, at 8:00 a.m. (April – Dec.) and 1 p.m. (Jan. – March). All 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 2018 members were:

Chairman – Jason Braaten
30957 340th St
Badger, Minnesota 56714

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

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

Treasurer- Carter Diesen
40141 160th St
Wannaska, MN 56761

Manager – LeRoy Carriere
504 4th Ave NE
Roseau, MN 56751

EMPLOYEES AND CONSULTANTS

The District has three full time employees, an Administrator, a Watershed Specialist, and a Watershed Assistant. Citizens are encouraged to contact the staff or managers at any time with their concerns or suggestions.

Administrator – Tracy Halstensgard

Watershed Specialist – Torin McCormack

Watershed Assistant – Tracy Bergstrom

Attorney – Michelle Moren, Roseau

Accounting Firm – Brady Martz, Crookston

ESTABLISHMENT

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

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

MISSION STATEMENT

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

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

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

DISTRICT ACTIVITY

Website

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

District Meetings

In 2018, the Board held 12 regular monthly meetings, 3 special meetings, 5 public hearings and various Project Team meetings.

Non-District Meetings:

MAWD - In December of 2018, Administrator Halstensgard and Technician McCormack attended the annual meeting of the Minnesota Association of Watershed Districts (MAWD) held in Alexandria, Minnesota. Administrator Halstensgard and Chairman Braaten also attended MAWD Legislative Day at the Capital in January of 2018. The district is a member of MAWD which provides assistance on issues that affect watershed districts.

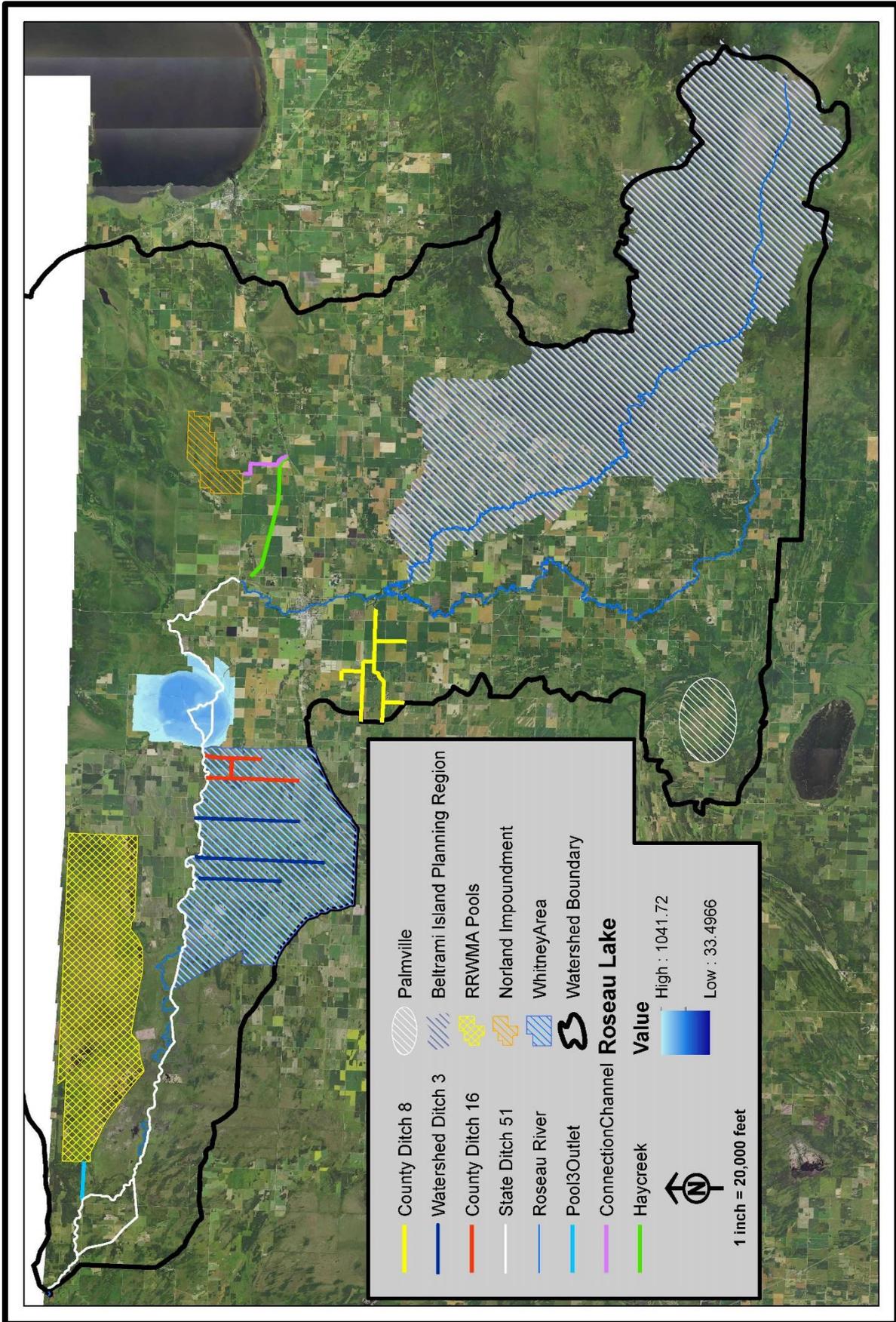
RRWMB - The Red River Watershed Management Board (RRWMB) delegate in 2018 was Jason Braaten. Manager Braaten attended regular monthly meetings as well as various RRWMB committee meetings. The District also participates in an annual conference sponsored by RRWMB and FDRWG held in March of each year.

RRIW - The Roseau River International Watershed (RRIW) was created in 2000 with representation from both the United States (Minnesota) and Canada (Manitoba). The group continues to meet to address water related issues and concerns within the Roseau River Basin. The two RRWD board members delegated to represent the RRWD in 2018 were Managers Cody Schmalz and LeRoy Carriere.

Citizens Advisory Committee (CAC) - On March 13th, 2018 the Citizens Advisory Committee held its annual meeting. The meeting was chaired by CAC member Dave Grafstrom. The group discussed several of the District's proposed projects and outlined suggestions for the RRWD Board of Managers. For a list of committee members, please contact the office.

Beltrami Island LUP Citizens Input Panel – Administrator Halstensgard was appointed by the DNR Commissioner to this panel. There were two meetings held in 2018 where various topics concerning the LUP (Land Utilization Project) lands were discussed.

Existing Projects & Drainage Systems

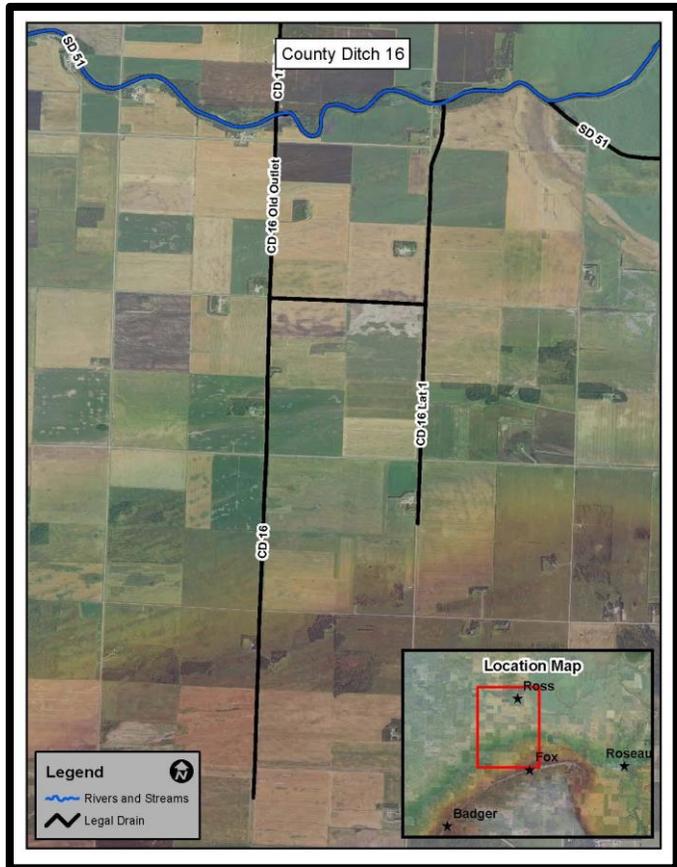


DRAINAGE SYSTEMS

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

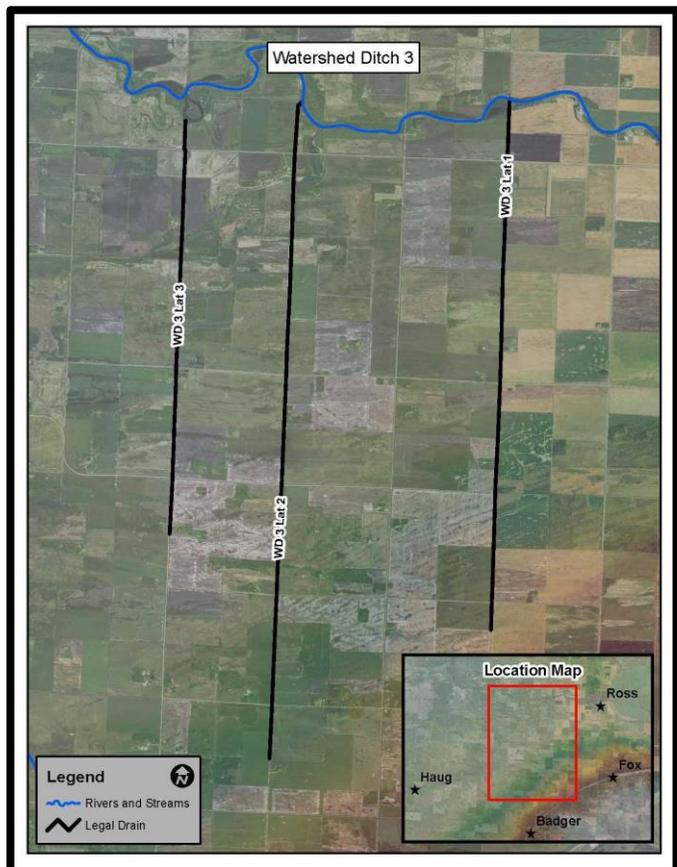
Watershed Ditch No.1 and Roseau County Ditch No. 16

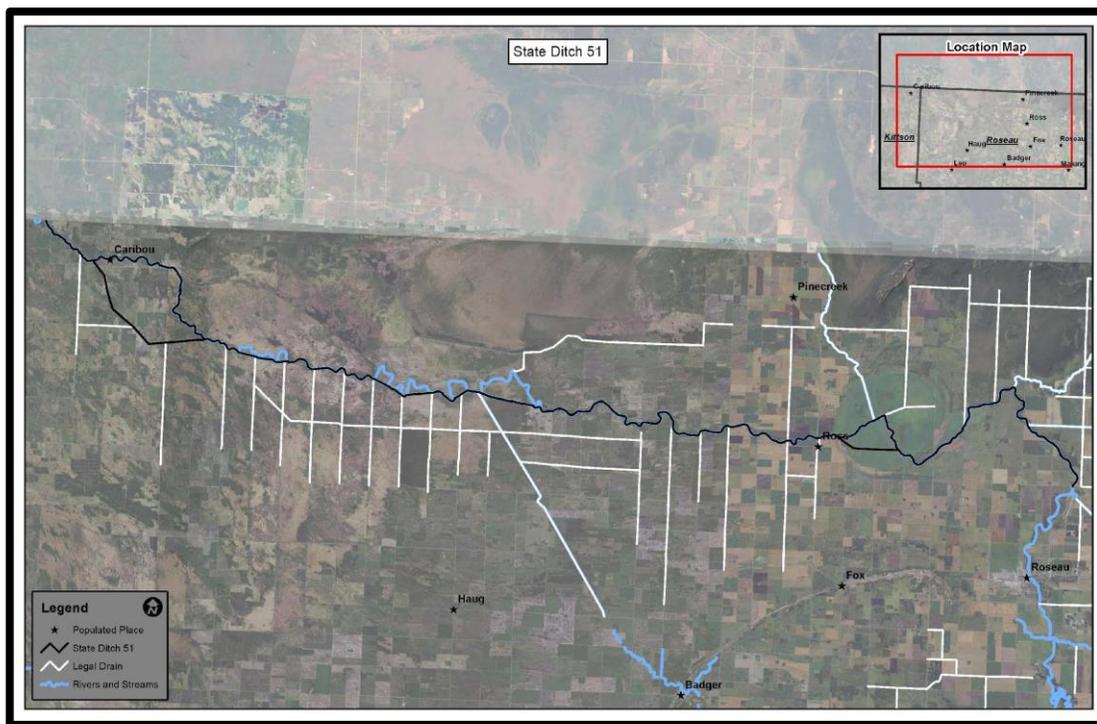
WD No.1 is a one-mile ditch plus additional outlet for lands drained by Roseau County Ditch Number 16. It is located on the west side of Sections 34 and 27, Dieter Township and drains lands in Dieter and Ross Townships. CD No. 16 is located in Dieter and Ross Townships, was turned over for administration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



Watershed Ditch No.3

This ditch system consists of three laterals draining lands in Ross, Moose, Dieter, and Pohlitz Townships.



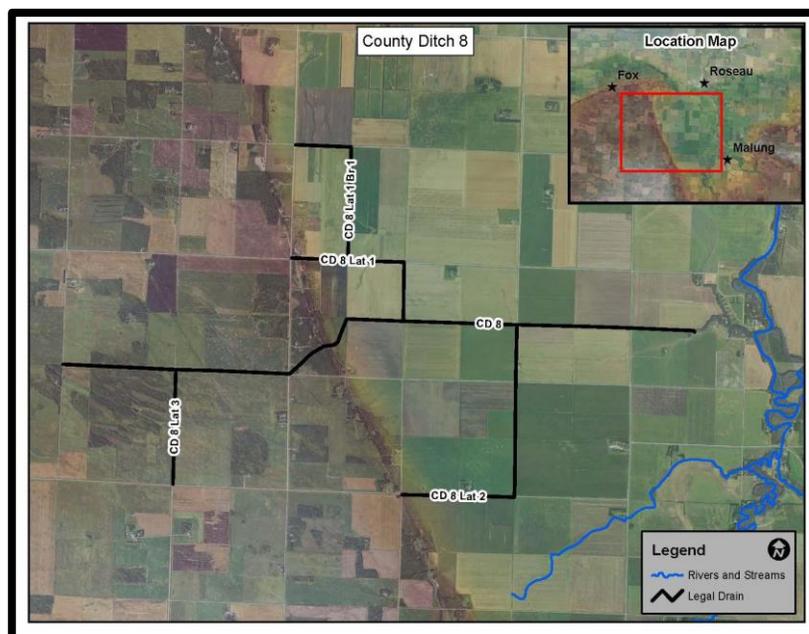


State Ditch No. 51

Originally established by the State of Minnesota it consisted of 10 river cutoffs constructed between 1906 and 1907. From 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.8

This ditch, located in Jadis and Stafford Townships, was turned over for administration and management to the Watershed District. In 2015 the RRWD Board of Managers received a BWSR grant for sediment reduction work in the system (see Programs).



PROGRAMS

Permits

In 2018 there were a total of 29 permit applications for the following activities: installation of culverts for field drainage and driveway accesses, ditch slope repair, ag tiling and ag diking.

Roseau River Water Trail Plan

In 2017 the RRWD along with community partners, initiated a planning process to map the Roseau River, improve accesses and amenities and seek designation as a State Water Trail. In late 2017 a Stakeholder Group was formed. The mission of the group is as follows: The Roseau River Water Trail promotes enjoyment and conservation of natural, cultural, and historical resources of the Roseau River by encouraging responsible, high quality public access opportunities through partnerships and stakeholder advocacy.

The goals were set as follows:

Short Term: 12 – 18 Months

- Establish stakeholder group
- Secure planning funding
- Adopt charter or mission statement
- Identify potential launch sites, points of interest and hazards
- Develop project implementation phases
- Public outreach / civic engagement

Mid-term: 18 months – 3 years

- Map reaches of the river
- Secure implementation funding
- Implement project phases
- Public outreach / civic engagement
- Develop sustainability plan

Long Term:

- Establishment of the Roseau River from the headwaters to the Canadian border as a mapped Water Trail.
- Establish the Roseau River as an international water trail

The following are objectives laid out by the Stakeholder Group:

- **Promote the Roseau River as a trail of regional significance in Northwest Minnesota:** Water trails connect individuals, families, and groups with a variety of hiking trails, bikeways, museums, historic sites, parks, and public lands. They cultivate a sense of place and love of community.
- **Promote the Roseau City Park and Hayes Lake SP as premier camping destinations in Northwest Minnesota:** Outdoor enthusiasts will appreciate all these campgrounds have to offer as they explore the water trail.
- **Stewardship:** Water trails utilize minimum-impact practices and cultivate stewards of the water, land, vegetation, wildlife, and other resources.
- **Education:** Serving as outdoor classrooms, water trails promote an awareness of the natural and cultural attributes of the area through experiences.
- **Conservation:** Water Trail activities support conservation of aquatic ecosystems and contiguous lands building a constituency of resource protection and restoration advocates.
- **Diversity:** Through shared work and play, water trails benefit community members from all walks of life promoting access to natural resources and educational opportunities thereby fostering tolerance and understanding.

- **Wellness and well-being:** Water trails provide wholesome, fresh-air activities promoting overall fitness and health of participants.

In 2018, with financial support from the RRWD, Evans Foundation, HDR Engineering, a new boat dock and Kayak launch were installed at the Roseau City Park. To celebrate the installation and initiate public engagement in the River Trail Plan, a “Launch Party” was held at the Roseau City Park on June 26th. The Stakeholder group also moved forward with drafting a Master Plan. Partnering with U of M Extension, Northwest Minnesota Foundation, Center for Urban and Regional Affairs (CURA), Center for Sustainable Building Research (CSBR) and the U of M College of Design, the RRWD worked with Viraita Singh, Senior Research Fellow at CSBR and Miranda Olson, Graduate Research Assistant to create the Roseau River Water Trail Masterplan. Copies of the plan are available on our website or at the office.



Board of Water and Soil Resources Competitive Grants Program Participation

In 2015 the RRWD applied for and received two grants totaling \$259,500. The CD8 Subwatershed Sediment Reduction Project grant, in the amount of \$147,700, will be used to install 2 rock drop structures, 320+ feet of bank stabilization work and 20+ side water inlets in the County Ditch 8 system. As of the end of 2018, the bank stabilization, drop structures and several side inlets have been installed with the remaining side inlets to be installed in the 2019 construction season.



The other grant, the Roseau Lake Water Quality Improvement Report, was for \$111,800. The goal of this project is to develop a report that will include a prioritized, targeted, and measurable implementation plan that will improve water quality in the Roseau Lake subwatershed. The project will result in development of site specific implementation actions through use of the Prioritize, Targeting, and Measuring Application (PTMApp) and the Drained Wetland Basin Inventory terrain analysis methods. The PTMApp will be used to identify and evaluate the suitability and effectiveness of best management/conservation practices in the watershed including treatment train scenarios, and provide estimates of sediment, nitrogen and phosphorus delivered (and subsequently treated) to the lake. The Drained Wetland Basin Inventory will identify the location of restorable wetlands in the watershed along with their volume, depth, and drainage area, which will be used to prioritize and target restoration efforts for multiple purposes including water quality, habitat, and flood damage reduction. Final project outcomes will be a targeted water quality improvement plan that includes the 100 most effective projects to improve water quality in the watershed based on cost and total load reduction to the lake. Because of the value of this type of information, the RRWD is funding this work beyond Roseau Lake to the Canadian border. Our Canadian counterparts also see the benefit of this work and decided to partner with the RRWD, International Water Institute and Houston

Engineering to create a report for the Canadian portion of the Roseau River watershed as well. This has become a multi-agency, international endeavor to help promote clean water and best management practices. Due to the scope of both projects, the RRWD requested and received time extensions beyond the December 31, 2018 deadline for both grants through BWSR.

In 2018, the RRWD applied for, and was awarded a BWSR Clean Water Multipurpose Drainage Management grant for the State Ditch 51 (SD 51) Sediment Reduction Strategy. This is an ongoing effort to improve both water quality and drainage efficiency within SD 51 and its tributary ditches and streams. SD 51, consisting of dredged and channelized portions of the Roseau River downstream of the City of Roseau, is impaired due to turbidity. The RRWD in cooperation with landowners, road authorities, and the Roseau SWCD will implement conservation practices on five high priority sites targeted due to the large volume of sediment they contribute to SD 51. The sites selected for this application were identified through a 2014 SEDLCP grant as a high priority concern due to extensive gully erosion and modeled high erodibility factors.

The five sites identified contribute 228 tons of sediment annually into SD 51. Each of the identified sites constructed would be 410 grade stabilization structures preventing future head cutting and sediment deposition into SD 51. The overall budget for the first phase of this project is \$69,500. Project costs consist of engineering, construction, and administrative costs associated with all five sites.

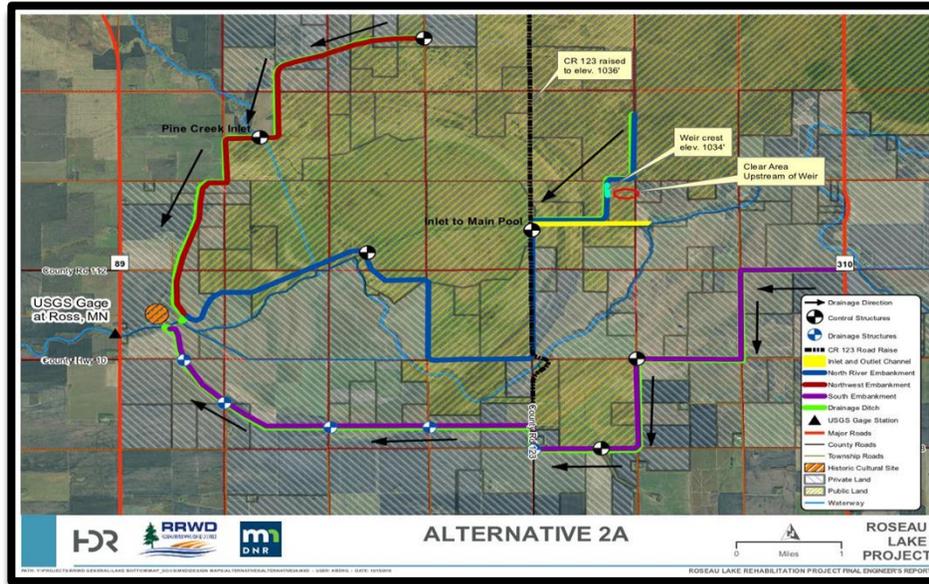
Future phases of the SD 51 Sediment Reduction Strategy will utilize information derived from the Roseau Lake Water Quality Report (PTMApp) to prioritize, target, and measure additional sites and prescribe appropriate conservation practices.



PROJECTS

Roseau Lake Rehabilitation Project

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



This is a multi-purpose project intended to provide the following benefits:

Flood Control

- Provide more efficient flood storage and improve the timing of 60,000 A-F of flood storage in the Roseau River Wildlife Management Area – Lake Bottom Unit;
- Provide flood damage reduction downstream
- Manage storage and flow release in beneficial consideration of Red River peak flows;
- Provide flood damage reduction in agricultural areas upstream and south of the Big Swamp

Habitat Restoration

- Streamflow augmentation improved dissolved oxygen levels, enhanced habitat, and improved water level management.
- Improve water level management in the Lake Bottom Unit for vegetation management;
- Control pool bounce to improve nesting success;

Erosion Reduction

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

The status of the project at the end of 2018 is as follows:

Planning

- Project Team is actively involved in planning
- Final engineering and design underway
- Operation and Maintenance Plans being developed
- Initial Access and Recreation Plans being drafted

Permitting

- COE Concurrence Points (CP) 1, 2 & 3 have been approved.
- Environmental Assessment Worksheet is being completed

Funding - Projected Project Cost: \$13,000,000

- \$200K FDR grant agreement in Sept 2017 & \$1M in 2018
- 2.67 M in LOSHC funding
- RRWMB Step II approval
- RRWD local construction funds

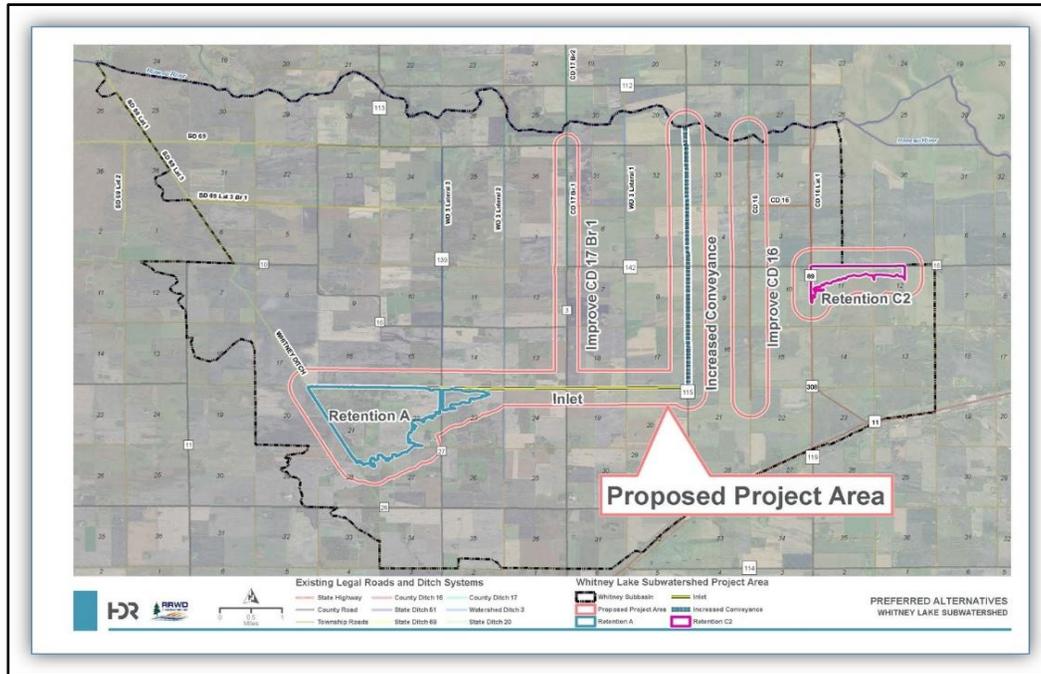
Funding Partners

- Red River Watershed Management Board
- State of Minnesota Flood Damage Reduction Program
- Department of Natural Resources
- Lessard-Sams Outdoor Heritage Council



Whitney Lake Watershed Management

Agricultural producers in the Whitney Lake sub-watershed suffer frequent (every 1-2 years) inundation from even minor events in both the spring and summer causing crop loss and/or damage. The Project Team has identified problem areas, defined strategic solutions, and provided planning guidance to implement construction of retention and drainage projects. The goal is to construction a multi-purpose water management project that will meet the purpose and needs identified, meet permitting requirements and be economically feasible. The District will utilize the Project Team process as identified in the *Red River Basin Flood Damage Reduction Work Group Agreement*.



Project Benefits:

Flood Damage Reduction

- Reduce agricultural and private land damages
- Reduce risk of road damages

Flood Detention

- Reduce peak flows during high runoff events
- Contribute to regional goal of reducing peak flows to the Red River

Erosion Reduction

- Improve stability of watercourses
- Reduce sediment and nutrient loading from upland sources
- Improve water quality
- Positive impact for wildlife and fish

Partners: Landowners, Red River Watershed Management Board (RRWMB), Natural Resource Conservation Service (NRCS), Minnesota Department of Natural Resources (MN DNR) and State of Minnesota Flood Damage Reduction Program.

Status: The project is in the planning phase following the NRCS Regional Conservation Partnership Program (RCPP) process.

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

Description/Location:

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



Project Benefits:

Flood Control:

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

Water Quality:

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

Wildlife and Habitat:

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

Status: The District applied for federal funds available in the Regional Conservation Partnership Program and continued planning in 2018 under that program.



Roseau River Restoration Project

Description/Location: The proposed restoration reach lies largely within the DNR Wildlife Management Area in Roseau County, MN. This reach of the river was channelized by the construction of State Ditch 51 which reduced the length of the river, increased its slope and caused the river to be disconnected from its floodplain. Historic oxbows remain intact, harbor diverse fish communities and provide habitat for spawning and foraging when accessible during periods of high water. The restoration project will rehabilitate and reconnect the historic river channel and reestablish the natural channel profile and floodplain allowing a sustainable channel to meander over time as well as reconnect critical fish habitat to the main channel.

Project Goals:

Channel Restoration

- Reconnect historic river channel
- Reestablish natural channel and floodplain

Enhance Wildlife Habitat

- Reconnect oxbows to provide crucial spawning and foraging habitat for fish
- Increase the amount of large river habitat within the watershed
- Restore riparian habitat

Erosion Reduction

- Improve bank stability
- Reduce sedimentation within the channel
- Improve water quality



PROJECT STATUS

Planning:

- **Project Team is being established**
- **Project vision and goals are being discussed**
- **Discussions regarding when survey work can start and how it will be funded**

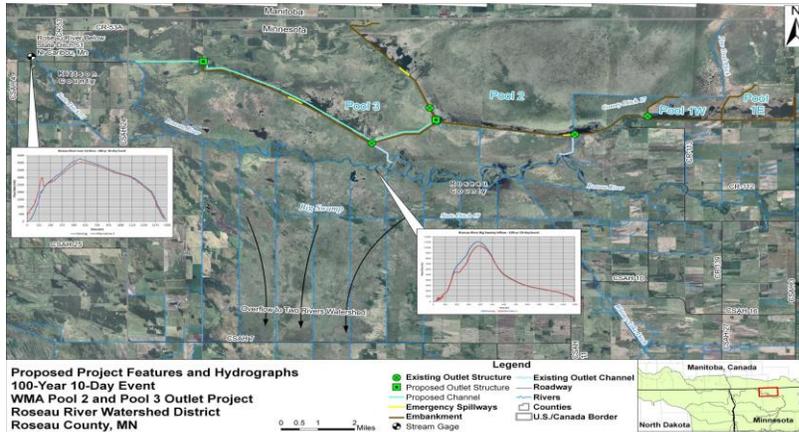
Permitting:

- **Permits that may be required include**
 - **DNR Permit**
 - **USACE**
 - **WCA**
 - **EAW**
 - **103E Minnesota Drainage**

Funding:

- **Apply for LSOHC Outdoor Heritage Fund in 2019**
- **Other funding options include: RRWD, MN DNR, RRWMB, IWI, US FWS**

Roseau River Wildlife Management Area Pool 3 Outlet Project



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

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

Project Benefits

Flood Damage Reduction (FDR)

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

Habitat Restoration

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

Erosion Reduction

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

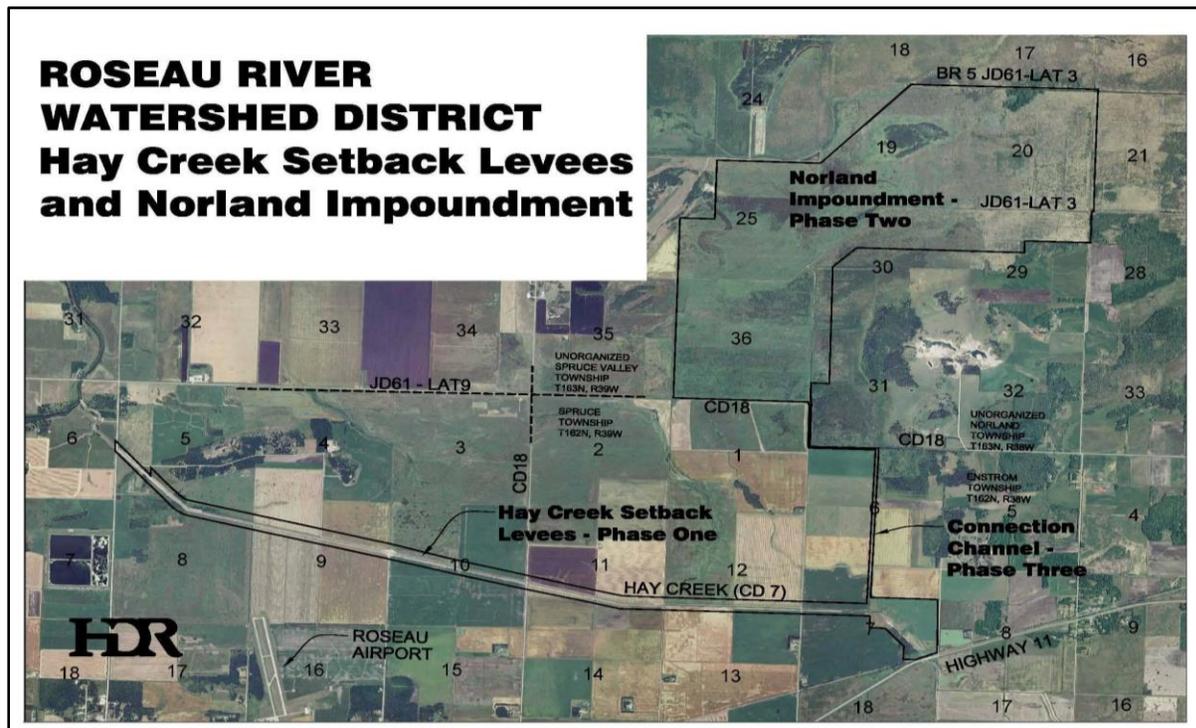
Partners: Red River Watershed Management Board, Minnesota Department of Natural Resources and State of Minnesota Flood Damage Reduction Program.

Status: The final construction was completed in 2018.



Pool 3 Outlet Structure

Hay Creek-Norland



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

Project Benefits

Flood Control

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

Habitat Restoration

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

Erosion Reduction

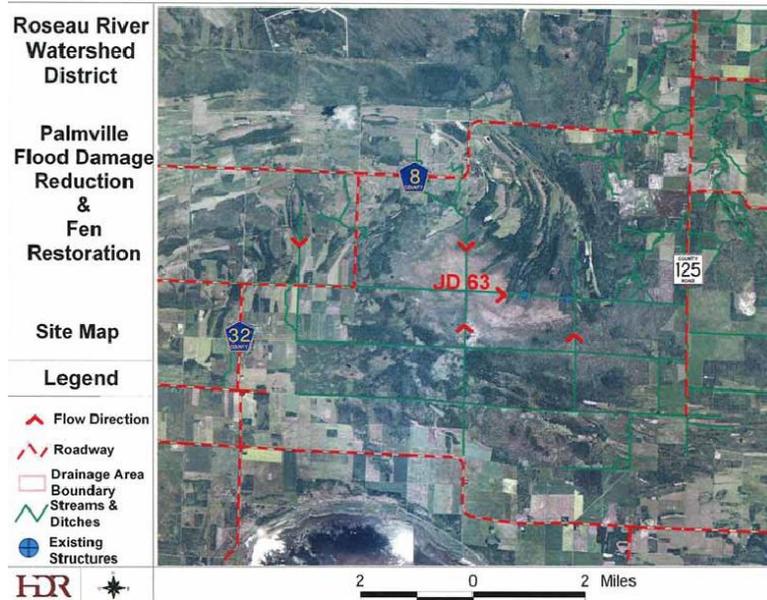
- Reduction in bank erosion on downstream ditches and the Roseau River

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

Status: The project continues to be operational. Haying and mowing activities are part of the ongoing maintenance.



Palmville Flood Damage Reduction and Fen Restoration Project



Description/Location: The Palmville Fen is a major wetland area covering approximately 3,000 acres located in the upper watershed of the South Fork of the Roseau River, primarily on land owned and managed by the State of Minnesota Department of Natural Resources. The Fen has been degraded by the construction of judicial and county ditch systems over the last one hundred years.

The Palmville project is a flood damage reduction (FDR) and natural resource enhancement (NRE) project. Flood control benefits will be provided to immediate areas downstream, the village of Wannaska and the city of Roseau. Fen restoration will hopefully be accomplished by encouraging a greater depth and duration of surface and subsurface flow to spill from the main channel and seep into the adjacent fen.

Project Benefits

Flood Damage Reduction (FDR)

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

Habitat Restoration

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

Erosion Reduction

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

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

Status: The project is operational and functioning as designed. In 2018 mowing and rodent management took place.



FINANCIAL

Budget

The budget adopted at the September 2017 meeting for 2018 locally funded expenditures is as follows:

Following discussion, a **motion** was made by Manager Carriere seconded by Manager Braaten to approve the proposed 2017 budget. Motion carried unanimously.

Administrative Budget:

1.	Salaries and benefits	\$140,000.00
2.	Manager's per diem and expenses	\$ 10,000.00
3.	Dues & conference registrations	\$ 2,500.00
4.	Engineering	\$ 5,000.00
5.	Legal & professional services	\$ 15,000.00
6.	Real estate taxes	\$ 10,000.00
7.	Rent and Utilities	\$ 6,000.00
8.	Insurance	\$ 10,000.00
9.	Telephone and internet	\$ 2,250.00
10.	Office supplies, postage & printing	\$ 6,000.00
11.	Capital Outlay	\$ 10,000.00
12.	Stream gaging	\$ 12,000.00
13.	RRWD projects / maintenance	\$ 21,250.00
	Total	\$250,000.00

Construction Budget:

1.	Red River Watershed Management Board	\$ 114,349.68
2.	RRWD Construction Fund	\$ 114,349.68
	Total	\$ 228,699.36

Ditch system levees for the year 2017:

- \$ 8,000.00 levy on WD#3 Ditch System
- \$10,000.00 levy on Ditch #8
- \$ 1,500.00 levy on Ditch #16
- \$ 2,500.00 levy on West Interceptor

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

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

Financial Summary

This section summarizes the District's financial activity for 2018. The information provided in this section is a summary of the activity for the year. A detailed report of all activity within the respective fund accounts is available for review at the District's office. By law the Roseau River Watershed District is allowed to establish a number of funds for the purpose of carrying out their duties. To finance these funds the District levies an "ad valorem" tax, meaning in "proportion to the value," over the entire watershed district and is based on the property value, rather than benefits. The following is a brief summary of types of funds established and the ways they assist in carrying out the goals of the District.

General Fund

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

Red River Watershed Management Board Construction Fund

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

Other Income

These are 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 provided by the District's accountant for the year (January 1, through December 31, 2018) as augmented with the Legal Compliance.

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
AS OF DECEMBER 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	<u>\$ 2,037,851</u>
TOTAL ASSETS	<u>2,037,851</u>
NET CASH POSITION	
Restricted for ditch maintenance	1,751,447
Unrestricted	<u>286,404</u>
TOTAL NET POSITION	<u>\$ 2,037,851</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, 2018

<u>FUNCTION</u>	Program Receipts and Sources				<u>Net Cash Sources (Uses) and Change in Net Cash Position</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>Governmental Activities Total</u>
Governmental Activities:					
Administration	\$ 329,752	\$ 15,524	\$ -	\$ -	\$ (314,228)
Administrative construction	132,969	-	61,876	-	(71,093)
General maintenance projects	280,848	120,296	-	-	(160,552)
Flood control projects	<u>1,082,602</u>	<u>2,775</u>	<u>-</u>	<u>773,460</u>	<u>(306,367)</u>
Total Governmental Activities	<u>\$ 1,826,171</u>	<u>\$ 138,595</u>	<u>\$ 61,876</u>	<u>\$ 773,460</u>	<u>(852,240)</u>
General Receipts:					
Property taxes					414,802
Intergovernmental (not restricted for special program)					
MV Credits					13,474
Interest earnings					<u>18,087</u>
Total General Receipts					<u>446,363</u>
Changes in Net Cash Position					(405,877)
Net Cash Position, January 1					<u>2,443,728</u>
Net Cash Position, December 31					<u>\$ 2,037,851</u>

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 286,404	\$ 1,751,447	\$ -	\$ 2,037,851
Due from other funds	<u>128,132</u>	<u>-</u>	<u>-</u>	<u>128,132</u>
TOTAL ASSETS	<u>\$ 414,536</u>	<u>\$ 1,751,447</u>	<u>\$ -</u>	<u>\$ 2,165,983</u>
LIABILITIES				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,132</u>	<u>\$ 128,132</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>128,132</u>	<u>128,132</u>
CASH FUND BALANCE				
Restricted for ditch maintenance	-	1,751,447	-	1,751,447
Unassigned	<u>414,536</u>	<u>-</u>	<u>(128,132)</u>	<u>286,404</u>
TOTAL CASH FUND BALANCE	<u>414,536</u>	<u>1,751,447</u>	<u>(128,132)</u>	<u>2,037,851</u>
TOTAL LIABILITIES AND CASH FUND BALANCE	<u>\$ 414,536</u>	<u>\$ 1,751,447</u>	<u>\$ -</u>	<u>\$ 2,165,983</u>

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, 2018

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
RECEIPTS				
Taxes	\$ 242,807	\$ 11,245	\$ 160,750	\$ 414,802
Special assessments	-	116,697	-	116,697
Intergovernmental:				
State	8,085	27,800	432,282	468,167
RRWMB	-	-	2,795	2,795
Federal	-	-	377,847	377,847
Interest	2,878	9,862	5,347	18,087
Other	15,524	3,600	2,775	21,899
TOTAL RECEIPTS	<u>269,294</u>	<u>169,204</u>	<u>981,796</u>	<u>1,420,294</u>
DISBURSEMENTS				
Administration	247,502	20,476	61,774	329,752
Administrative construction	-	-	132,969	132,969
General maintenance projects	132,712	139,397	8,739	280,848
Flood control projects	-	-	1,082,602	1,082,602
TOTAL DISBURSEMENTS	<u>380,214</u>	<u>159,873</u>	<u>1,286,084</u>	<u>1,826,171</u>
Receipts Over (Under) Disbursements	(110,920)	9,331	(304,288)	(405,877)
Cash Fund Balance - January 1	<u>525,456</u>	<u>1,742,116</u>	<u>176,156</u>	<u>2,443,728</u>
Cash Fund Balance (Deficit) - December 31	<u>\$ 414,536</u>	<u>\$ 1,751,447</u>	<u>\$ (128,132)</u>	<u>\$ 2,037,851</u>

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
AGENCY FUND
AS OF DECEMBER 31, 2018

ASSETS

Cash

\$ 27,271

LIABILITIES

Due to Red River Management Board

\$ 27,271

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Agency Fund

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018 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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Property Taxes

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

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

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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, the District's carrying amount of deposits was \$2,065,122 and the bank balance was \$2,076,845. 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.

Credit Risk

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

Custodial Risk

The District does not have a formal policy that would limit the amount invested in any single financial institution. Approximately 80% 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.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General 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.

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. General Employees Retirement Plan Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in 2018. In 2018, the Roseau River Watershed District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.5% for Coordinated Plan members.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

The District's contribution to the Public Employees Retirement Fund for the year ended December 31, 2018 was \$12,466.

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, 2018, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Claims and Litigation

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

NOTE 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, 2018:

<u>Fund</u>	<u>Project</u>	
Special Revenue	Ditch #16	\$ 6,440
Capital Projects	Palmville Maintenance	20,260
Capital Projects	Beltrami	141,001
Capital Projects	Whitney Lake	322,310
Capital Projects	Lake Bottom	318,855
Capital Projects	WMA	448,942
Capital Projects	Side Water Inlets	20,382

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2018, is as follows:

Due from / to other funds:

Receivable	Payable	Amount
General Fund	Capital Projects Fund	\$ 128,132

The amount payable is to cover the cash deficit in the Capital Projects fund on December 31, 2018.

NOTE 8 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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 December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt;

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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