



2023 Annual Report



2023 DISTRICT INFORMATION

OFFICE INFORMATION

The Roseau River Watershed District (RRWD) office is located at 714 6th Street SW, Roseau. The phone number is (218) 463-0313 and the e-mail address is rrwd@mncable.net.

In 2023, the Board held regular business meetings, on the first Thursday of each month, at 8:00 a.m. (April – Dec.) and 12:00 p.m. (Jan. – March). All of the meetings held by the Roseau River Watershed are open to the public.

BOARD OF MANAGERS

A Board of Managers governs the Roseau River Watershed District. The Board has five managers, four appointed by the Roseau County Board of Commissioners and one appointed by the Kittson County Board of Commissioners. The 2023 members were:

Chairman, Carter Diesen 40141 160 th St Wannaska, MN 56751	Treasurer, Jason Braaten 30957 340 th St Badger, MN 56751
Manager, Cody Schmalz 4529 400 th Street Lancaster, MN 56756	Vice-Chair, Tony Wensloff* 37232 240 th St Roseau, MN 56751
Secretary, LaVerne Voll 35572 520 th Ave Salol, MN 56756	Manager James Johnson** 32449 360 th St Roseau, MN 56751

*Vice-Chair Tony Wensloff did not seek reappointment at the end of his term. **Manager James Johnson took the oath of office on October 4th, 2023.

EMPLOYEES AND CONSULTANTS

The District has two full time employees, an Administrator and a Watershed Specialist, as well as a part-time Watershed Assistant. The District hired a Watershed Technician [after the Watershed Specialist left the RRWD]. Citizens are encouraged to contact the staff or managers at any time with their concerns or suggestions.

Administrator – Tracy Halstensgard

Watershed Specialist – Torin McCormack *through January 2023

Watershed Technician - Blaine Broten *started March 2023

Watershed Assistant – Tracy Bergstrom

Attorney – Michelle Moren, Roseau

Accounting Firm – Brady Martz, Thief River Falls

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, and was approved by the Minnesota Water Resource Board on April 20, 1965. In June of 2004 the Board of Managers approved an update of the Overall Plan. An amendment to the plan was adopted in June of 2020. In 2021 the District entered into the 1 Watershed 1 Plan process with the Roseau County SWCD and Roseau County. This planning process was funded through a Board of Water & Soil Resources grant and was completed in 2023.

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 under continued development.

District Meetings

In 2023, the Board held 12 regular monthly meetings, 4 special meetings, and various other meetings.

Non-District Meetings

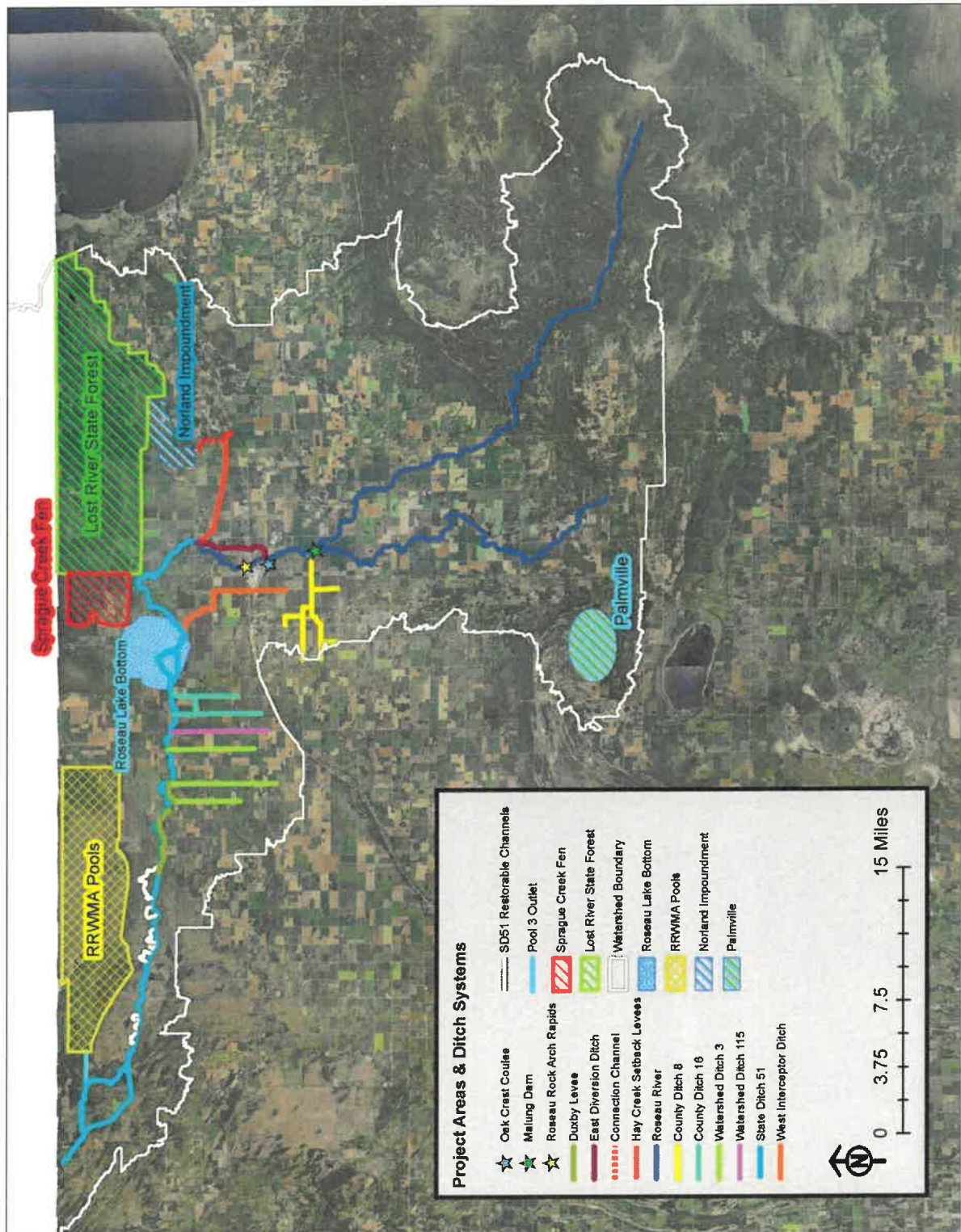
Minnesota Watersheds (previously MAWD) – In December 2023, Administrator Halstensgard attended the annual meeting of Minnesota Watersheds (MW) held in Alexandria, MN. The district is a member of MW which provides assistance on issues that affect watershed districts.

RRWMB - The Red River Watershed Management Board (RRWMB) delegate in 2023 was Manager Jason Braaten. Manager LaVerne Voll served as the alternate delegate. Manager Braaten attended regular monthly meetings as well as various RRWMB committee meetings. The District participated in the annual conference sponsored by the RRWMB.

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 2023 were Managers LaVerne Voll and Cody Schmalz. Manager Braaten serves as an alternate.

Citizens Advisory Committee (CAC) – The Citizens Advisory Committee is made up of RRWD residents who assist the board of managers on matters affecting the watershed district. For a list of committee members, please contact the office.

Existing Projects & Drainage Systems



DRAINAGE SYSTEMS

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

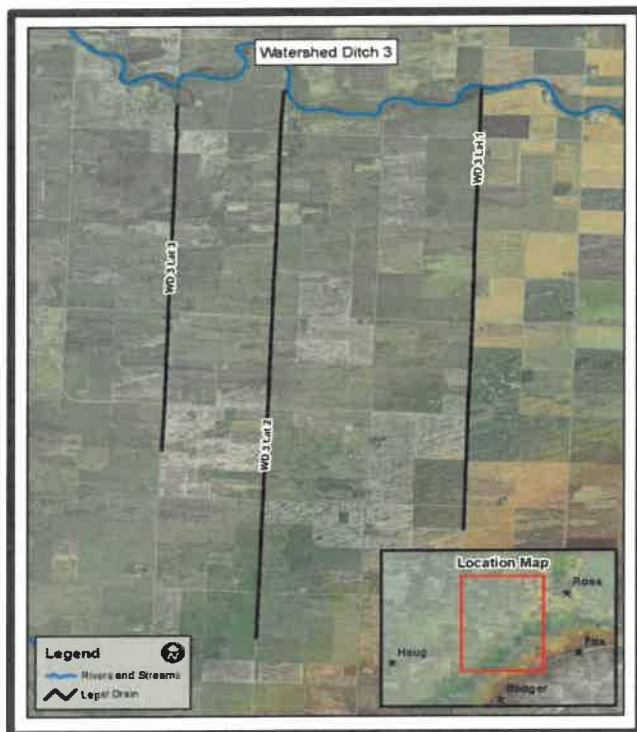
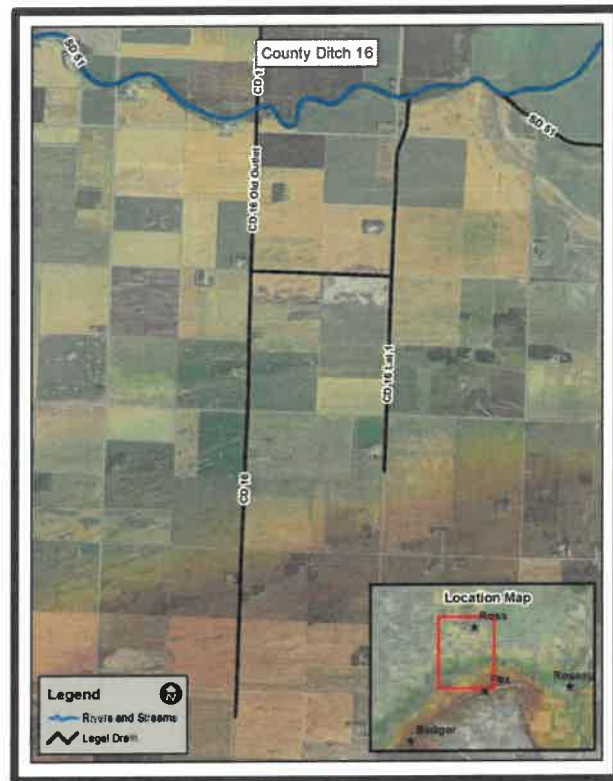
Roseau County Ditch No. 16

Roseau County Ditch 16 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.

In 2019 the District received an Improvement Petition for this system. Construction on the improvements was completed in October of 2022. In conjunction with the CD 16 Improvement Project, 27 sites were identified as contributing 84 tons of sediment annually into SD 51 in accordance with the PTMApp toolbar. Each of the sites constructed using Minnesota Clean Water Funds consisted of grade stabilization structures which prevents head cutting and sediment deposition into the river.

The final payment hearing was held in January 2023.



Watershed Ditch No. 3

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

In 2020 the district staff conducted a survey of all three laterals, collecting profile, cross section and culvert condition data. Information collected from the 2020 survey will inform future maintenance and/or repair. Standard inspection and maintenance were performed in 2023.

State Ditch No. 51

Originally established by the State of Minnesota it consisted of 10 river cutoffs constructed in the 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.

Various stabilization projects have taken place in recent years funded by State of Minnesota Clean Water Fund grants through the Minnesota Board of Water and Soil Resources. These projects have removed sediment from the channel and installed stabilization structures at locations where other ditch systems enter into SD 51.

In 2023, the District also installed a weir in Cut-off #1 as part of the Roseau Lake Rehabilitation Project. The weir was installed to direct the majority of flows through the historic channel restoring approximately 3.17 miles of river habitat.



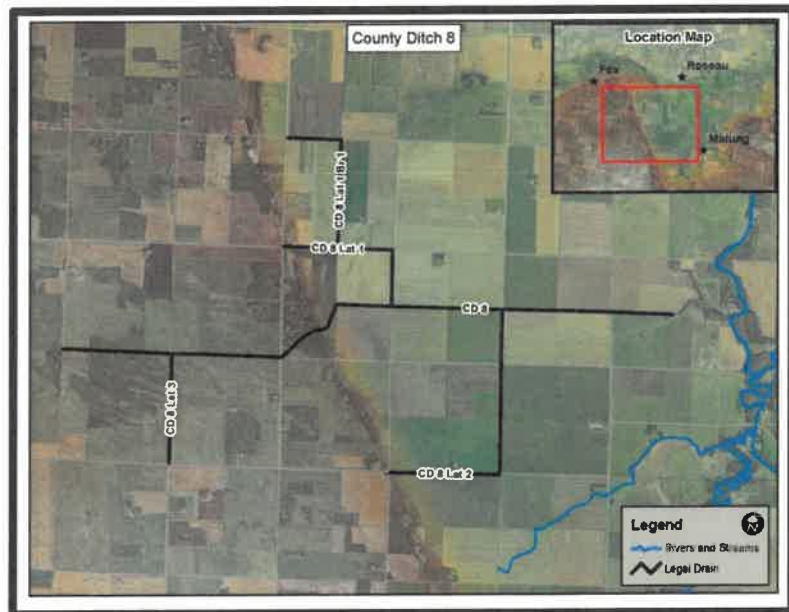
As a water quality improvement, the District also installed three side-water inlets in Cut-off #1. Fifty percent of the funding for this project came from Watershed Based Implementation Funds (WBIF) with the remaining 50% being ditch funds.

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 2020 district staff conducted a survey of the ditch profile, cross section and culvert condition.

Information collected from the 2020 survey will inform future maintenance and/or repair.

In 2023, the District had repair work completed at the outlet of the ditch where a large sluff had occurred. The site was repaired with geotextile fabric and crushed rock rip rap to prevent future sluffing in that location. This repair work was funded by FEMA through a 2022 disaster declaration.



Watershed Ditch No. 115 (originally WD #4)

In 2020, a landowner submitted a 'Petition for Ditch' for the purpose of establishing a new drainage

system in Ross and Dieter Townships along Roseau County Road 115. The approximate drainage area is 5.7 square miles. The petitioner proposed a 5.3 mile ditch in order to reduce the frequency of flooding events thereby reducing impacts to farmland and roadways.

As part of the water quality component of the new system, 29 side water inlets (SWI) and one rock grade control



structure were identified through the Prioritize Target Measure Application tool (PTMAApp) as priority concerns in need of protection from chronic erosion in the WD 115 alignment. The PTMAApp toolbar estimates the 29 SWI sites identified contribute 62 tons of sediment annually into the Roseau River. The rock grade control structure will be located at the confluence of WD 4 and the Roseau River. These water quality components were funded through the Minnesota Clean Water Fund.

A final public hearing was conducted on October 25, 2022 at the Roseau City Center in Roseau, MN. On December 7, 2022 the Roseau River Watershed District Board of Managers accepted the Findings and Order establishing Roseau River Watershed Ditch #115.

The District opened bids for the project on June 7th, 2023. Gladen Construction was awarded the bid and began working on the project in late June. Construction and seeding was completed in early September.



PROGRAMS

Permits

In 2023 there were a total of 35 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, a new boat dock and Kayak launch were installed at the Roseau City Park. The Stakeholder group also moved forward with drafting a Master Plan. Copies of the plan are available on our website or at the office. In 2021 the City Center Site was constructed and paid for by a grant from the Minnesota Department of Natural Resources Parks and Trails Legacy fund through the City of Roseau. In 2022 the RRWD partnered with the City of Roseau on a Northwest Minnesota Regional Parks and Trails application to continue to obtain funding for additional trail sites and continue to work through this process, being approved as a Regional Park & Trail in 2023.



Roseau River Comprehensive Watershed Management Plan

In 2013, the Local Government Water Roundtable suggested that local governments organize focused implementation plans based on watershed boundaries in order to align local water planning purposes and procedures creating a systematic, watershed-wide, science-based approach to watershed management. Under State Statute, comprehensive watershed management plans need to be in effect by 2025.

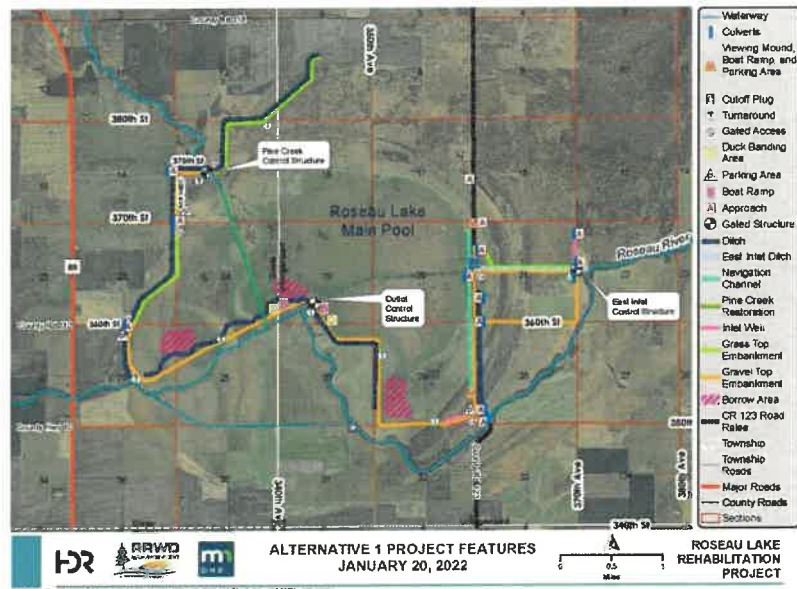
The Roseau River Comprehensive Watershed Management Plan was developed in 2022 through the Board of Water and Soil Resources (BWSR) One Watershed One Plan (1W1P) program. The Roseau River Watershed District partnered with Roseau County and the Roseau County Soil and Water Conservation District to develop a ten year watershed management plan.

Issues affecting natural resources in the watershed were developed and prioritized through existing watershed reports, public input, and committee feedback. Goals and actions included in the plan were developed from priority issues and placed into a resource category: surface water, agricultural productivity, natural resources, or groundwater. Issues were further prioritized by planning regions in order to target funding and actions to where they are most needed. The Roseau River Comprehensive Watershed Management Plan (CWMP) was completed in early 2023 and submitted to BWSR for approval. The approved plan can be found at <https://www.roseauriver1w1p.org/theplan>. The CWMP activities and funding is overseen by the Roseau River Joint Powers Board consisting of member from the RRWD, Roseau County and the Roseau SWCD. Information about this board is available at <https://www.roseauriver1w1p.org/>

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 Damage Reduction

- Provide more efficient flood storage.
- Provide flood damage reduction downstream by decreasing peak flows at Caribou.
- Manage storage and flow release in beneficial consideration of Red River peak flows.
- Provide flood damage reduction in agricultural areas upstream and south of the Big Swamp along the Roseau River in Moose, Soler, Dieter, and Pohlitz Townships.

Habitat Restoration

- Streamflow restoration
- Improve water level management on WMA lands to improve vegetation management.
- Enhance waterfowl, fish, and wildlife habitat.

Erosion Reduction:

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

The status of the project at the end of 2023 is as follows:

Construction

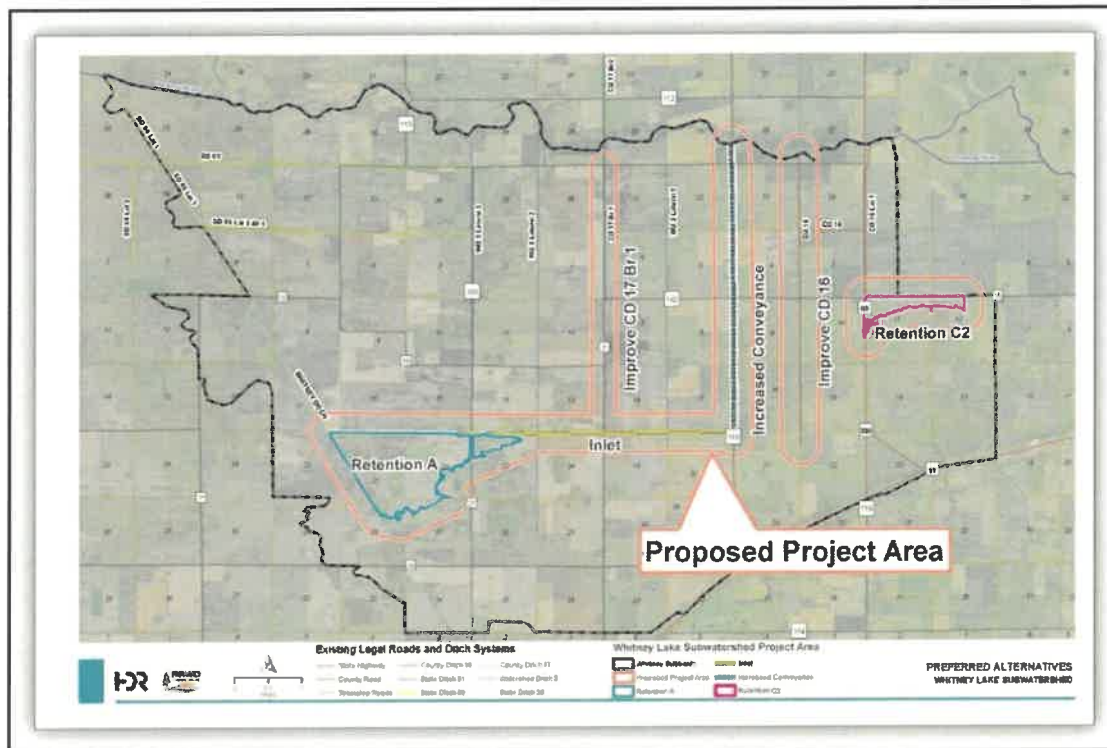
- Phase I construction bid was awarded in September 2023 with construction starting that same month.

Funding

- A grant application was submitted to the Lessard-Sams Outdoor Heritage Council for Phase II of the project. The application was forwarded for consideration to the 2024 Legislative Session for the amount of \$3.036 million.

Whitney Lake Watershed Management

Agricultural producers in the Whitney Lake subwatershed suffer frequent (every 1-2 years) inundation from 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 construct a multi-purpose water management project that will meet the purpose and needs identified, meet permitting requirements and be economically feasible. The Roseau River Watershed District is working to secure funding for the project. 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 Storage

- Utilize two retention sites to reduce peak flows
- 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

The status of the project at the end of 2023 is as follows:

The District continues to develop the project with the focus being the adequacy of the outlet for Site A. Communications with landowners are ongoing.

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 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 Habit

- 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:

- Survey completed fall of 2020
- EAW submitted December 2022
- Final design and permit application development - 2023

Permitting: Permits that may be required

- DNR Permit
- USACE
- WCA
- EAW
- 103E Minnesota Drainage

Funding:

- LSOHC Outdoor Heritage Fund award for \$3,036,000.00
- Other funding partners include: RRWD, MN DNR, RRWMB, US FWS

Oakcrest Coulee

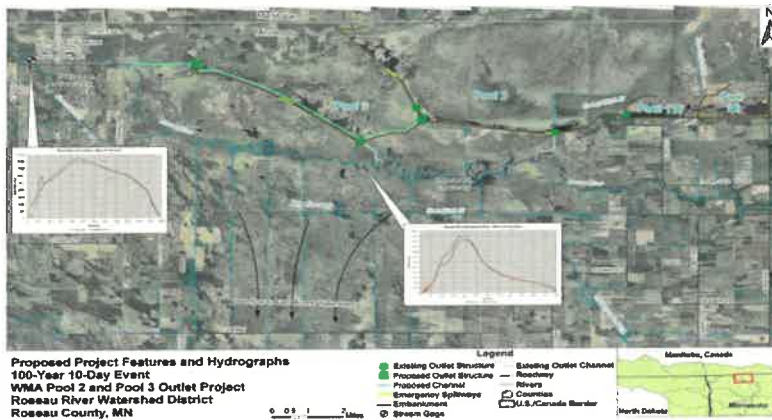
The RRWD has partnered with the City of Roseau, Roseau SWCD, and the Oak Crest Golf Course to address phosphorus and sediment issues in a coulee that drains some agricultural and urban land within the City of Roseau. The project goals are to reduce sediment (14 tons/year) and phosphorus (100 lbs/year) discharge into the Roseau River, replace the existing fixed weir with a gated weir to manage water levels for maintenance and fall drawdown, and to meet the requirements for the stormwater permit for the City of Roseau's expansion project(s). Phase I of the project will address stormwater runoff, and Phase II will address sediment and phosphorus removal. Construction is slated for 2024.

Funding Partners:

City of Roseau
Oak Crest Golf Course
Roseau SWCD
BWSR Clean Water Fund
RRWMB
RRWD



Roseau River Wildlife Management Area Pool 3 Outlet Project



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

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

Project Benefits

Flood Damage Reduction (FDR)

- 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 Township.

Habitat Restoration

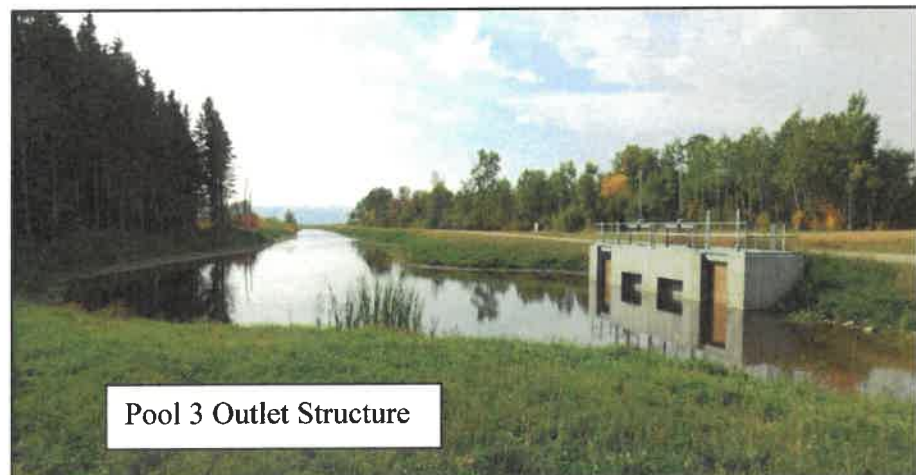
- Streamflow augmentation, improved dissolved oxygen levels, enhanced fish habitat, improve water management capability

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 final construction was completed in 2018. Initial operation was triggered during flood conditions in the fall of 2019. Maintenance activity and operations according to the Operating Plan were conducted in 2023.



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

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

Erosion Reduction

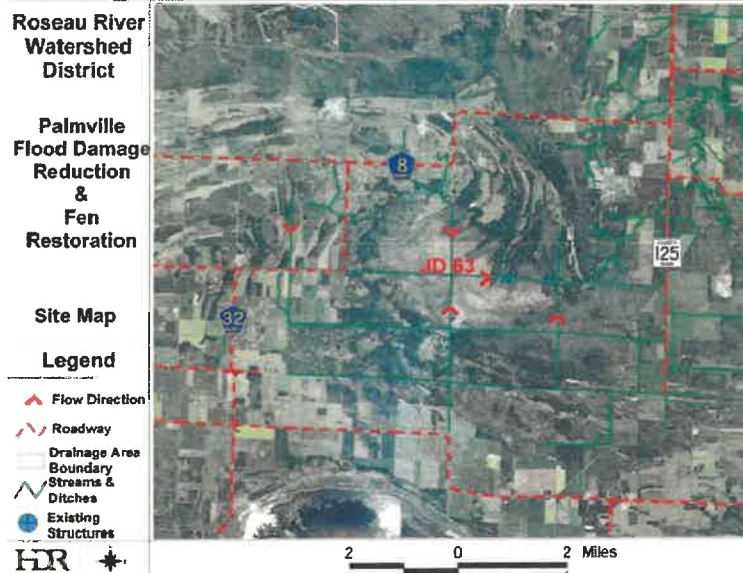
- Reduction in bank erosion on downstream ditches and the Roseau River

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 2023 mowing and regular structure maintenance took place.



Roseau River Arch Rapids

One of the Red River Basin's earliest rock arch rapids is located within the City of Roseau. The Roseau River Rock Arch Rapids is an enhancement of rock rapids located at the site of a former low-head dam north of Highway 11. The original enhancement project of 2001 has since failed and no longer functions as designed.

A Joint Powers Agreement between the RRWD and the MNDNR will allow the rock arch rapids to be redesigned in order to restore fish passage thus improving native species populations and to restore connectivity along the Roseau River. Project partners have been systematically improving public recreation within the river corridor and the rock arch rapids will provide opportunities for fishing and paddling.

In late 2022, the Roseau River Arch Rapids project was awarded a Conservation Partners Legacy Grant through the division of MNDNR Fish and Wildlife. The project was finished early fall of 2023.



Lost River State Forest Peatland Restoration - Phase I

Phase I of the Lost River State Forest Peatland Restoration will reconnect the upper 12.5 square miles of sloped peatlands along the Lost River, and lower reach consisting of 4.6 square miles of sloped peatland. Current hydrology is diverted via JD 61 and the Norland Forest Road. The project aims to restore hydrology throughout the peatland complex where drainage impacts have occurred.

Phase I of this project incorporates a water control structure to be added concurrently with the Norland Forest Road improvement. The control structure will be in-line with the centerline flow path of the Lost River. The site was identified as a priority due to its critical location along the main flow path within the peatland and planned road improvements.

The Lost River State Forest Peatland Restoration - Phase I was awarded a Conservation Partners Legacy Grant through the division of MNDNR Fish and Wildlife. Construction was completed in 2023 with final inspection and payment to be completed in 2024.



FINANCIAL

Budget

The budget adopted at the September 2022 meeting for 2023 locally funded expenditures is as follows:

Following discussion, a **motion** was made by Manager Voll seconded by Manager Schmalz to approve the proposed 2023 budget. Motion carried unanimously.

2023 Administrative Budget:

Salaries & Benefits	\$	147,000.00
Manager's per diem and expenses	\$	14,000.00
Dues & registrations	\$	5,000.00
Engineering	\$	7,600.00
Legal & other professional services	\$	20,000.00
Real estate taxes	\$	9,000.00
Rent & utilities	\$	4,650.00
Insurance	\$	6,000.00
Telephone & internet	\$	2,750.00
Office supplies & misc	\$	20,000.00
Cap. Outlay & building maintenance	\$	8,000.00
RRWD projects / maintenance	\$	4,000.00
Programs & planning	\$	2,000.00
	\$	250,000.00

After a **motion** by Manager Schmalz, seconded by Manager Voll, the board adopted the following ditch levies.

Ditch system levies for the year 2023:

Watershed Ditch #3	20%
County Ditch #8	20%
County Ditch #16	15%
West Intercept (City of Roseau)	\$2,500 (set amount)
State Ditch #51	1% on redetermined benefits

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

After a **motion** by Manager Schmalz, seconded by Manager Braaten, the board adopted the Red River Watershed Management Board (RRWMB) levy and ad valorem tax in the amount of

.0003627 percent of the estimated market value of all taxable property within this district and within the counties set forth in Chapter 162, 1976 Session Laws. Half of the proceeds of this levy will be sent to the RRWMB, half remained with the RRWD as Construction Funds.

Financial Summary

This section summarizes the District's financial activity for 2023. 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 several 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. A general fund, consisting of an ad valorem tax levy, may not exceed 0.096 percent of estimated market value, or \$500,000, 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 0.0003627 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. The second half of the levy is utilized for projects beneficial to the management goals of the District.

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.

2023 Financial Audit

The basic financial statements provided by the District's accountant for the year (January 1, through December 31, 2023) as augmented with the Legal Compliance are available upon request and are on the RRWD website.

**ROSEAU RIVER WATERSHED DISTRICT
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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ROSEAU RIVER WATERSHED DISTRICT
OFFICIALS DIRECTORY – (UNAUDITED)
DECEMBER 31, 2023

BOARD OF MANAGERS

Carter Diesen	Chairperson
Tony Wensloff	Vice-Chair (ending 9/30/2023)
James Johnson	Vice-Chair (effective 10/1/2023)
LaVerne Voll	Secretary
Jason Braaten	Treasurer
Cody Schmalz	Manager

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Roseau River Watershed District
Roseau, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Roseau River Watershed District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the remaining fund information of the Roseau River Watershed District, as of December 31, 2023, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Opinion

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roseau River Watershed District's basic financial statements. The budgetary comparison schedule and schedule of fund balances by project are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and schedule of fund balances by project are fairly stated in all material respects in relation to the basic financial statements as a whole as described in the basis of accounting described in Note 1.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024 on our consideration of the Roseau River Watershed District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roseau River Watershed District's internal control over financial reporting and compliance.



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

May 16, 2024

ROSEAU RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)
DECEMBER 31, 2023

As management of the Roseau River Watershed District, we offer readers of the Roseau River Watershed District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The cash position of Roseau River Watershed District exceeded its liabilities at the close of the recent fiscal year by \$1,796,551 (net cash position).
- The District's total net cash position increased by \$1,326,386.
- The District's general fund ended the year with a fund balance of \$190,640.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

ROSEAU RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED) - CONTINUED
DECEMBER 31, 2023

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

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

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

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

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

ROSEAU RIVER WATERSHED DISTRICT'S NET CASH POSITION

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets	\$ 1,796,551	\$ 470,165
Total Assets	<u>\$ 1,796,551</u>	<u>\$ 470,165</u>
 NET CASH POSITION		
Restricted for ditch maintenance	\$ 1,215,450	\$ 1,433,414
Unrestricted	<u>581,101</u>	<u>(963,249)</u>
Total Net Cash Position	<u>\$ 1,796,551</u>	<u>\$ 470,165</u>

At the end of 2023 and 2022, the Roseau River Watershed District is able to report positive balances in net cash position.

ROSEAU RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED) - CONTINUED
DECEMBER 31, 2023

ROSEAU RIVER WATERSHED DISTRICT'S CHANGE IN NET CASH POSITION

Governmental activities resulted in an increase of Roseau River Watershed District's net position from the year ended December 31, 2022 to the year ended December 31, 2023 in the amount of \$1,326,386. The details of the change are as follows:

	<u>2023</u>	<u>2022</u>
RECEIPTS		
Special assessments and charges for services	\$ 1,639,394	\$ 126,348
Operating grants	2,403,645	81,914
Capital grants	2,903,114	974,213
General revenues:		
Property taxes	292,060	338,485
Other intergovernmental	4,901	8,958
Interest	21,187	2,327
Total Receipts	<u>7,264,301</u>	<u>1,532,245</u>
DISBURSEMENTS		
General & administration	419,230	399,954
Wetland Bank Credit	7,575	-
Maintenance projects	335,552	55,568
Water quality projects	944,157	106,152
Flood control projects	2,774,119	2,037,967
Drainage projects	1,457,282	54,631
Total Disbursements	<u>5,937,915</u>	<u>2,654,272</u>
Change in Net Cash Position	<u>1,326,386</u>	<u>(1,122,027)</u>
Net Position - January 1	<u>470,165</u>	<u>1,592,192</u>
Net Position - December 31	<u>\$ 1,796,551</u>	<u>\$ 470,165</u>

Financial Analysis of the Government's Funds

At the end of the current fiscal year, Roseau River Watershed District's governmental funds reported combined ending fund balances (cash basis) of \$1,796,551. The total fund balance can be attributed to 1) General Fund, \$190,640, 2) Special Revenue Fund, \$1,215,450 and 3) Capital Projects Fund, \$390,461.

BUDGETARY HIGHLIGHTS

General Fund. The General Fund actual receipts were more than budget by \$35,137 and actual disbursements were over budget by \$131,268 for the year ended December 31, 2023.

ROSEAU RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED) - CONTINUED
DECEMBER 31, 2023

ADDITIONAL INFORMATION

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

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,789,834
Due from fiduciary fund	<u>6,717</u>
TOTAL ASSETS	<u>1,796,551</u>
NET CASH POSITION	
Restricted for ditch maintenance	1,215,450
Unrestricted	<u>581,101</u>
TOTAL NET POSITION	<u>\$ 1,796,551</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, 2023

FUNCTION	Disbursements	Program Receipts and Sources			Net Cash Sources (Uses) and Change in Net Cash Position
		Fees, Assessments and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities Total
Administration	\$ 408,105	\$ 7,389	\$ -	\$ -	\$ (400,716)
Administrative construction	11,125	-	-	-	(11,125)
Wetland bank credit	7,575	-	-	-	(7,575)
General maintenance projects	335,552	145,067	1,078	-	(189,407)
Water quality projects	944,157		683,395		(260,762)
Flood control projects	2,774,119	1,486,938	-	2,903,114	1,615,933
Drainage projects	1,457,282	-	1,719,172	-	261,890
Total Governmental Activities	<u>\$ 5,937,915</u>	<u>\$ 1,639,394</u>	<u>\$ 2,403,645</u>	<u>\$ 2,903,114</u>	<u>1,008,238</u>
General Receipts:					
Property taxes					292,060
Intergovernmental (not restricted for special program)					
MV Credits					4,901
Interest earnings					21,187
Total General Receipts					<u>318,148</u>
Changes in Net Cash Position					1,326,386
Net Cash Position, January 1					<u>470,165</u>
Net Cash Position, December 31					<u>\$ 1,796,551</u>

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 183,923	\$ 1,215,450	\$ 390,461	\$ 1,789,834
Due from fiduciary fund	<u>6,717</u>	<u>-</u>	<u>-</u>	<u>6,717</u>
TOTAL ASSETS	<u>\$ 190,640</u>	<u>\$ 1,215,450</u>	<u>\$ 390,461</u>	<u>\$ 1,796,551</u>
CASH FUND BALANCE				
Restricted for ditch maintenance	\$ -	\$ 1,215,450	\$ -	\$ 1,215,450
Committed for capital projects	-	-	390,461	390,461
Unassigned	<u>190,640</u>	<u>-</u>	<u>-</u>	<u>190,640</u>
TOTAL CASH FUND BALANCE	<u>\$ 190,640</u>	<u>\$ 1,215,450</u>	<u>\$ 390,461</u>	<u>\$ 1,796,551</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, 2023

	General	Special Revenue Fund	Capital Projects Fund	Total
RECEIPTS				
Taxes	\$ 271,058	\$ -	\$ 21,002	\$ 292,060
Special assessments	-	141,101	2,166	143,267
Intergovernmental:				
Federal	-	-	273,206	273,206
State	3,823	1,099	2,837,295	2,842,217
RRWMB	-	-	896,237	896,237
County	-	-	2,786,938	2,786,938
Interest	2,867	5,679	12,641	21,187
Other	7,389	1,800	-	9,189
TOTAL RECEIPTS	285,137	149,679	6,829,485	7,264,301
DISBURSEMENTS				
Administration	362,422	4,749	34,217	401,388
Administrative construction	-	-	11,125	11,125
Wetland bank credit	-	-	7,575	7,575
General maintenance projects	14,846	310,933	9,773	335,552
Water quality projects	-	-	944,157	944,157
Flood control projects	-	-	2,774,119	2,774,119
Drainage	-	-	1,457,282	1,457,282
TOTAL DISBURSEMENTS	377,268	315,682	5,238,248	5,931,198
Receipts Over (Under) Disbursements	(92,131)	(166,003)	1,591,237	1,333,103
OTHER SOURCES AND USES				
Transfers in	-	-	51,961	51,961
Transfers out	-	(51,961)	-	(51,961)
Fiduciary fund overage	(6,717)	-	-	(6,717)
NET OTHER SOURCES AND USES	(6,717)	(51,961)	51,961	(6,717)
Receipts Over Disbursements and Other Sources and Uses	(98,848)	(217,964)	1,643,198	1,326,386
Cash Fund Balance (Deficit) - January 1	289,488	1,433,414	(1,252,737)	470,165
Cash Fund Balance (Deficit) - December 31	\$ 190,640	\$ 1,215,450	\$ 390,461	\$ 1,796,551

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
FIDUCIARY FUND
DECEMBER 31, 2023

ASSETS	
Cash	<u>\$ -</u>
 LIABILITIES	
Due to General Fund	<u>6,717</u>
TOTAL LIABILITIES	<u>6,717</u>
 NET POSITION	 <u>(6,717)</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ -</u>

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
STATEMENT OF CHANGES IN NET CASH POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Taxes	
Beltrami County	\$ 249
Kittson County	1,352
Lake of the Woods County	65
Marshall County	902
Roseau County	18,434
Intergovernmental	
MV credits	<u>2,155</u>
TOTAL ADDITIONS	<u>23,157</u>
 DEDUCTIONS	
Red River Watershed Management Board	<u>36,691</u>
TOTAL DEDUCTIONS	<u>36,691</u>
 CHANGE IN NET POSITION	(13,534)
 NET POSITION - BEGINNING	<u>6,817</u>
 NET POSITION - ENDING	<u>\$ (6,717)</u>

See Notes to the Basic Financial Statements

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues (receipts) and expenditures (disbursements). Funds are typically organized into three categories: governmental, fiduciary and proprietary. The District currently has no proprietary funds.

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

Governmental Funds

General Fund

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

Special Revenue Fund

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

Capital Projects Fund

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

Fiduciary Fund

Custodial Fund

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 2023 at \$250,000.

Revenues

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

Property Taxes

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

The District also levies special assessments through the counties against property owners who obtain direct benefits from projects or property owners who request, through the petition process, to have a project undertaken. The special assessment collections are recorded in a manner similar to that for property taxes.

Cash and Investments

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

Equity

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

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

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

Cash Fund Balance

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

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

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

Committed cash fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the Board of Managers through an ordinance or resolution.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

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

Interfund Balances

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

Estimates

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

NOTE 2 CASH

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

At December 31, 2023, the District's carrying amount of deposits was \$1,796,551 and the bank balance was \$1,804,388. All of the deposits were covered by Federal Depository Insurance or with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Credit Risk

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

Custodial Risk

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

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

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

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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. In 2023, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary.

The Roseau River Watershed District's contributions to the General Employees Fund for the years ended December 31, 2023, 2022, and 2021 were \$11,030, \$11,442, and \$11,048, respectively.

NOTE 4 CONTINGENCIES

Grants

The District participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable at December 31, 2023, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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, 2023:

<u>Fund</u>	<u>Project</u>	<u>Total</u>
Capital Projects	Project Development	\$ 13,905
Capital Projects	Wetland Bank Credit	160,755
Capital Projects	Lost River	146,296
Capital Projects	Malung Dam	10,725
Capital Projects	Rock Arch Rapids	71,614
Capital Projects	Oak Crest Coulee	113,449
Capital Projects	Palmville Maintenance	41,765
Capital Projects	Hay Creek Norland	136,926
Capital Projects	Pool 3 Outlet	1,320
Capital Projects	Other Maintenance	358
Capital Projects	Beltrami	158,629
Capital Projects	Whitney Lake	479,786
Capital Projects	WMA	357,991
Capital Projects	Side Water Inlets	27,065
Capital Projects	River Restoration	139,086
Capital Projects	Hay Creek Subwatershed	1,643
Capital Projects	WD #115	82,830

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

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 7 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2023 is as follows:

Transfers:

	Transfer In	Transfer Out
Capital Projects Fund	\$ 51,961	\$ -
Special Revenue Fund	-	51,961
Total	<u>\$ 51,961</u>	<u>\$ 51,961</u>

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

Due to/From Other Funds:

Receivable	Payable	Amount
General Fund	Fiduciary Fund	\$ 6,717

The purpose of the interfund loan is to cover a cash shortage from an overpayment to the Red River Water Management Board in 2023.

NOTE 8 CONSTRUCTION COMMITMENTS

The District had approximately \$2,240,000 in construction commitments for capital projects as of December 31, 2023.

NOTE 9 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

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

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through May 16, 2024 which is the date of these financial statements were available to be issued.

ROSEAU RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budgeted Amounts	Actual Amounts	Final Budget to Actual Variance
RECEIPTS			
Property taxes:			
Roseau County	\$ 244,643	\$ 265,962	\$ 21,319
Kittson County	2,818	2,703	(115)
Marshall County	1,847	1,624	(223)
Lake of the Woods County	196	270	74
Beltrami County	496	499	3
Total property taxes	<u>250,000</u>	<u>271,058</u>	<u>21,058</u>
Intergovernmental:			
State:			
Other state aid	-	3,823	3,823
Total Intergovernmental	<u>-</u>	<u>3,823</u>	<u>3,823</u>
Other:			
Interest	-	2,867	2,867
Other	-	7,389	7,389
Total Other	<u>-</u>	<u>10,256</u>	<u>10,256</u>
TOTAL RECEIPTS	<u>250,000</u>	<u>285,137</u>	<u>35,137</u>
DISBURSEMENT			
Administration:			
Salaries and benefits	147,000	192,047	45,047
Manager's per diem and expenses	14,000	20,212	6,212
Dues and subscriptions	5,000	7,305	2,305
Engineering	7,600	52,583	44,983
Legal and accounting	20,000	27,352	7,352
Repairs and maintenance	8,000	-	(8,000)
Rent and utilities	4,650	4,134	(516)
Insurance	6,000	6,152	152
Telephone and internet	2,750	2,198	(552)
Office	20,000	38,821	18,821
Real estate taxes	9,000	9,864	864
Postage and delivery	-	134	134
Printing and advertising	-	1,620	1,620
Total Administration	<u>244,000</u>	<u>362,422</u>	<u>118,422</u>

See Notes to the Budgetary Comparison Schedule

ROSEAU RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budgeted Amounts	Actual Amounts	Final Budget to Actual Variance
General Maintenance Projects:			
Roseau River projects	\$ 2,000	\$ 14,846	\$ 12,846
Total General Maintenance Projects	<u>2,000</u>	<u>14,846</u>	<u>12,846</u>
 TOTAL DISBURSEMENTS	 <u>246,000</u>	 <u>377,268</u>	 <u>131,268</u>
 Excess Receipts Over Disbursements	 4,000	 (92,131)	 (96,131)
 Other Sources and Uses:			
Fiduciary fund overage	<u>-</u>	<u>(6,717)</u>	<u>6,717</u>
Total Other Sources and Uses	<u>-</u>	<u>(6,717)</u>	<u>6,717</u>
 Excess Revenues and Other Sources Over Expenditures and Other Uses	 4,000	 (98,848)	 (94,848)
 Cash Fund Balance, January 1	 <u>289,488</u>	 <u>289,488</u>	 <u>-</u>
 Fund Balance, December 31	 <u>\$ 293,488</u>	 <u>\$ 190,640</u>	 <u>\$ (94,848)</u>

See Notes to the Budgetary Comparison Schedule

ROSEAU RIVER WATERSHED DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – BUDGETARY COMPARISON

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

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2023, expenditures exceeded appropriations in the general fund by \$131,268. The over expenditures were funded by greater than anticipated receipts.

ROSEAU RIVER WATERSHED DISTRICT
SCHEDULE OF FUND BALANCES BY PROJECT- CASH BASIS
DECEMBER 31, 2023

	Receipts and Other Sources						Disbursements			Transfers	Fund Balance 12/31/2023
	Fund Balance 1/1/2023	Taxes and Special Assessments	Capital & Operating Grants	Other Receipts	Allocated Interest	Total	Administrative	Direct Project	Total		
GENERAL FUND:											
Administrative	\$ 289,488	\$ 271,058	\$ 3,823	\$ 7,389	\$ 2,867	\$ 285,137	\$ 362,422	\$ 14,846	\$ 377,268	\$ (6,717)	\$ 190,640
SPECIAL REVENUE FUND:											
Watershed Ditch #3	20,268	20,304	-	-	-	20,304	226	12,950	13,176	-	27,397
County Ditch #8	25,782	8,006	-	-	-	8,006	1,768	921	2,689	-	32,099
Ditch #16	4,165	3,680	-	-	-	3,680	845	1,100	1,945	-	5,900
State Ditch #51	1,382,198	109,111	1,099	1,800	5,679	117,889	1,910	295,962	297,872	(51,961)	1,150,054
Total Special Project Fund	1,433,414	141,101	1,099	1,800	5,679	149,679	4,749	310,933	315,682	(51,961)	1,215,450
CAPITAL PROJECTS FUND:											
Administrative Construction	1,522,025	21,002	1,078	-	7,220	29,300	3,594	11,125	14,719	-	1,536,606
Project Development	(13,905)	-	-	-	-	-	-	-	-	-	(13,905)
Wetland Bank Credit	(153,180)	-	-	-	-	-	-	7,575	7,575	-	(160,755)
Water Quality:											
Lost River	(49,369)	-	465,826	-	-	465,826	1,760	560,993	562,753	-	(146,296)
Malung Dam	-	-	3,465	-	-	3,465	-	14,190	14,190	-	(10,725)
Rock Arch Rapids	(4,730)	-	210,840	-	-	210,840	1,440	276,264	277,724	-	(71,614)
Oak Crest Coulee	(23,213)	-	3,264	-	-	3,264	810	92,690	93,500	-	(113,449)
Maintenance:											
Palmville Maintenance	(40,440)	-	-	-	-	-	-	1,325	1,325	-	(41,765)
West Intercept Maintenance	1,436	2,166	-	-	-	2,166	-	-	-	-	3,602
Hay Creek Norland	(128,444)	-	-	-	-	-	34	8,448	8,482	-	(136,926)
Weed Management	732	-	-	-	-	-	-	-	-	-	732
Pool 3 Outlet	(1,320)	-	-	-	-	-	-	-	-	-	(1,320)
Other	(1,436)	-	1,078	-	-	1,078	-	-	-	-	(358)
Flood Control:											
Beltrami	(158,629)	-	-	-	-	-	-	-	-	-	(158,629)
Whitney Lake	(438,962)	-	24,070	-	-	24,070	3,213	61,681	64,894	-	(479,786)
Lake Bottom	45,892	-	2,721,776	-	-	2,721,776	14,855	2,531,691	2,546,746	51,961	272,883
WMA	(357,991)	-	-	-	-	-	-	-	-	-	(357,991)
Hay Creek Norland	112,997	-	-	-	-	-	-	-	-	-	112,997
Side Water Inlets	(27,065)	-	-	-	-	-	-	-	-	-	(27,065)
CD 16 Improvement	(1,426,174)	-	43,650	1,486,938	5,421	1,536,009	80	2,768	2,848	-	106,987
River Restoration	(71,747)	-	112,519	-	-	112,519	2,079	177,779	179,858	-	(139,086)
Hay Creek Subwatershed	(958)	-	-	-	-	-	685	-	685	-	(1,643)
Drainage:											
CD 8 DR#4659	-	-	355,168	-	-	355,168	137	54,234	54,371	-	300,797
WD #115	(38,256)	-	1,364,004	-	-	1,364,004	5,530	1,403,048	1,408,578	-	(82,830)
Total Capital Project Fund	(1,252,737)	23,168	5,306,738	1,486,938	12,641	6,829,485	34,217	5,204,031	5,238,248	51,961	390,461
TOTAL	\$ 470,165	\$ 435,327	\$ 5,311,660	\$ 1,496,127	\$ 21,187	\$ 7,264,301	\$ 401,388	\$ 5,529,810	\$ 5,931,198	\$ (6,717)	\$ 1,796,551

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Roseau River Watershed District
Roseau, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of Roseau River Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2024. Roseau River Watershed District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Legal Compliance

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

Purpose of the Report

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



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

May 16, 2024

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

Board of Managers
Roseau River Watershed District
Roseau, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Roseau River Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the District's cash basis basic financial statements, and have issued our report thereon dated May 16, 2024. Roseau River Watershed District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Roseau River Watershed District's Response to Findings

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

Purpose of this Report

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



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

May 16, 2024

**ROSEAU RIVER WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

2023-001 – Material Weakness

Criteria:	Generally, a system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.
Condition:	There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.
Cause:	Size and budget constraints limiting the number of personnel within the District's accounting department.
Effect:	The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.
View of Responsible Officials:	The corrective action will be determined by management when it becomes cost effective to implement proper segregation of accounting duties.

ROSEAU RIVER WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-002 – Significant Deficiency

Criteria:	An appropriate system of internal control requires the District to prepare financial statements in compliance with the cash basis of accounting.
Condition:	The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the cash basis of accounting. The District has elected to have the auditors assist in the preparation of the financial statements and notes.
Cause:	The District elected to not allocate resources for the preparation of the financial statements.
Effect:	There is an increased risk of material misstatement to the District's financial statements.
Recommendation:	We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statements and to review the financial statements disclosure checklist.
View of Responsible Officials:	The District agrees with the recommendation and will review on an annual basis.