



Bois de Sioux
Watershed District

Calendar Year 2018 Annual Activity Report



North Ottawa, October 29, 2018

**BOIS DE SIOUX WATERSHED DISTRICT
ANNUAL REPORT
CALENDAR YEAR 2018**

BOARD OF MANAGERS

NAME	COUNTY	PHONE	TERM EXPIRES	OFFICERS
<i>Allen Wold</i>	Traverse	320-563-8743	2020	Vice President
<i>Doug Dahlen</i>	Grant	320-766-5794	2019	
<i>Jerome Deal</i>	Traverse	320-563-8377	2019	
<i>Vacated August 2016</i>	Otter Tail	218-739-4561		
<i>Linda Vavra</i>	Stevens	320-677-2586	2019	President
<i>Scott Gillespie</i>	Big Stone	320-748-7149	2021	Secretary
<i>John Kappahn</i>	Grant	218-685-4604	2020	Treasurer
<i>Jason Beyer</i>	Wilkin	218-651-0135	2018	
<i>Steven Schmidt</i>	Traverse	320-563-8104	2018	

DISTRICT STAFF

Troy Fridgen, Engineer Technician
Lacey Gilsdorf, Office Manager

DISTRICT OFFICE

Bois de Sioux Watershed District

704 Highway 75 South
Wheaton, MN 56296
320-563-4185 P
320-563-4987 F
bdswd@runestone.net

www.bdswd.com | <https://www.facebook.com/BdSWD/> | Twitter: @sioux_de



CONSULTING PROFESSIONALS

Thomas C. Athens

thru 9/20/18
District Attorney
Cline Jensen
125 South Mill St
Fergus Falls, MN 56537
218.998.4088

Lukas Croaker

after 9/20/18
District Attorney
OhstadTwichell
444 Sheyenne St, Suite 102
West Fargo, ND 58078
701.282.3249

Chad L. Engels, PE

District Engineer
Moore Engineering, Inc.
444 Sheyenne St, Suite 301
West Fargo, ND 58078
701.282.4692

James Guler, PE

Engineer Moore Engineering, Inc.
444 Sheyenne St, Suite 301
West Fargo, ND 58078
701.282.4692

Renee Kannegiesser, CPA

Accountant
Morris & Associates
600 Atlantic Ave, Suite #101
PO Box 224
Morris, MN 56267
320.589.1122

Miranda Wendlandt, CPA CPE

Auditor
CliftonLarsonAllen LLP
510 22nd Ave E, Suite #501
Alexandria, MN 56308-1977
320.759.5100

Contact Person for Questions:

Administrator
Jamie Beyer
704 Hwy 75 S
Wheaton, MN 56296
bds wd@runestone.net
320.563.4185



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SECTION ONE - GENERAL FUND

Project Status and Business Transacted

2018 Board Meetings

January 16, 2018
January 18, 2018
February 22, 2018
March 15, 2018
April 19, 2018
April 24, 2018
May 17, 2018
June 21, 2018
July 19, 2018

August 1, 2018
August 16, 2018
August 23, 2018
September 14, 2018
September 20, 2018
October 18, 2018
November 14, 2018
November 15, 2018
December 20, 2018

The Bois de Sioux Watershed District Board of Managers meet regularly on the third Thursday of each month starting at 8:00 a.m. April through October and at 9:00 a.m. November through March.

Background

The Bois de Sioux Watershed District was established on May 11, 1988 by order of the Minnesota Board of Water and Soil Resources (BWSR). The district represents an area of about 1,420 square miles and includes Traverse County (38%), Grant County (27%), Wilkin County (14%), Stevens County (10%), Big Stone County (7%) and Otter Tail County (4%).

The district includes the drainage basins of Lake Traverse and the Bois de Sioux River within the State of Minnesota. The major tributaries are the Mustinka River and numerous creeks in the south and east and the Rabbit River to the north.

Mission Statement

To provide coordinated water resource management over the entire hydrologic basin of the Bois de Sioux River lying within the State of Minnesota.

Board Activity

The board held twelve (12) regular monthly and six (6) special meetings in 2018. Staff meetings were also conducted for purposes of reviewing issues identified at the board meetings and to meet with landowner groups in an informal setting to discuss legal ditch repairs, permit activity, and other surface water related problems.

Red River Retention Authority

In 2010, the Red River Retention Authority (RRRA) was formed through a joint powers agreement between the Red River Watershed Management Board (RRWMB) in Minnesota.

The Red River Retention Authority is comprised of members of the Red River Joint Water Resource District, a North Dakota political subdivision, and the Red River Watershed Management Board, a Minnesota political subdivision. The primary objective of the Red River Retention Authority is to ensure joint, comprehensive, and strategic coordination of retention projects in the Red River of the North watershed and facilitating implementation

and construction of retention in the Red River Valley. The Authority and its members will aggressively pursue federal dollars to off-set local costs for retention projects, and will serve as an advocate for local projects in the federal regulatory process. Our Directors seek basin-wide solutions to realize effective flood protection and flood damage reduction, accomplished on a strategic project-by-project basis.

Jerome Deal served as a member to the RRRR representing the RRWMB.

Red River Basin Flood Damage Reduction Work Group

The Flood Damage Reduction Work Group (FDRWG or Work Group) was originally formed in 1998 to address issues related to the development of flood damage reduction projects in that portion of the Red River of the North Basin in Minnesota.

While recognizing that the ultimate solutions to the flood damage and natural resource problems in the Red River Basin will take a concerted effort from people throughout the Basin, the Work Group was formed to address issues that are unique to Minnesota. However, the Work Group maintains extensive communications and coordination with jurisdictions and organizations throughout the Basin. For example, in 2005, two members of the Flood Damage Reduction Work Group also served as chairpersons for other Basin-wide organizations.

The Flood Damage Reduction Work Group is not a legally constituted body and has no regulatory or funding authority. It is an ad hoc group of individuals representing federal, state and local governments, and non-governmental organizations that meet voluntarily under a set of mutually agreed upon ground rules. The Work Group meets for the purpose of coordinating the implementation of the 1998 Mediation Agreement and making recommendations to other authorities and jurisdictions within the Red River Basin to that effect.

Jerome Deal served as a member to the FDRWG representing the RRWMB.

Minnesota Association of Watershed Districts

The Minnesota Association of Watershed Districts (MAWD) provides educational opportunities, information and training for watershed district managers and staff through yearly tours, meetings and regular communication.

MAWD represents 45 watershed districts in the state. The watershed districts are partners in water protection and management.

Linda Vavra continued to serve as a member representing Region I for the Minnesota Association of Watershed Districts Board of Directors.

BdSWD Advisory Committee

Chair Ron Staples	Tom Monson
Jay Backer	Beau Peterson
Duane Duin	Mark Summers
Dean Frisch	Linda Vavra
Doug Jahnke	Vernell Wagner
Eric Klindt	John Walkup
Joe Montonye	

The Advisory Committee met on January 22 and June 28, 2018. Committee members met with Engineers Chad Engels and James Guler, and received updates on North Ottawa, Redpath, Buffers, 1W1Plan, RCPP, WCD #8, JD #14,

TCD #37 and future projects such as WCD #9, JD #11, JD #6, and TCD #52.

2018 Other Activities

- **Agent of Record:** The District's insurance Agent of Record was changed to Paul Frisch of Dacotah Insurance (August 1, 2018).
- **Athens Retires:** After 30 years of public service, Attorney Thomas Athens announced his retirement (July 19, 2018). OhnstadTwichell Attorney Lukas Croaker was hired to represent the District (September 20, 2018).

SECTION TWO - RRWMB FUND

Project Status and Business Transacted

The Red River Watershed Management Board's jurisdiction and authority encompasses the area managed by the individual watershed districts that have membership on the Board. The board continued with their membership to the Red River Watershed Management Board.

Eight watershed districts within the Red River Valley form the RRWMB including the Joe River, Two Rivers, Roseau River, Middle-Snake-Tamarac Rivers, Red Lake, Sand Hill River, Wild Rice, and Bois de Sioux.

The RRWMB was created by an act of the Minnesota legislature in 1976 to provide an organization with a basin-wide perspective concerning flooding. Historically, the activities of the RRWMB have centered on flood control. Previous efforts in dealing with the flooding problem within the Red River Basin consisted of single projects within a localized area, planned with primary regard to local benefits. The RRWMB actively promotes a basin-wide perspective for water management.

Jerome Deal was selected as the Bois de Sioux Watershed District representative with Allen Wold serving as the alternate. Terms expired 12/31/18. Linda Vavra was elected to represent the District beginning 2019, with Allen Wold serving as alternate.

Red River Watershed Management Board Levy

Per the minutes of the July 17, 2018 RRWMB Board Meeting – effective for the 2019 certified tax levy:

2019 Tax Levy Rate and Resolution: Mr. Deal made a Motion to keep the Levy at 100%, Seconded by Mr. Braaten. Discussion: Mr. Ose asked if the watershed districts can set their own rates if they do not feel it is necessary, Mr. Deal stated that he was under the impression that provisions are included in the Governing Documents.

Mr. Money and Mr. Jesme stated there are no such provisions at the current time. Mr. Money recalled a discussion from 2017 but it had only been presented as a draft. Mr. Deal felt the Governing Documents may be due to be updated. Mr. Finney asked that the levy reduction criteria discussed in 2017 be brought back to the Managers as soon as possible for discussion and decision. Mr. Money asked if there was still a special meeting planned for funding of alternative flood projects and was wondering if the levy reduction criteria could be part of the discussion. Mr. Finney stated that there was a well thought out draft levy reduction criteria document that was developed but that it was never brought to the full board in 2017. Mr. Sip stated that he may have the document Mr. Finney was describing but was not sure if it is the final version. The Board consensus was to send out the draft document again for review. Levy Resolution: Mr. Deal made a Motion to adopt the Resolution, Seconded by Mr. Ose. Carried. Mr. Finney called for a roll call vote on the 2019 Tax Levy Rate:

Mr. Finney Yes
Mr. Mischel Yes
Mr. Ose Yes
Mr. Deal Yes
Mr. Holmvik Yes
Mr. Braaten Yes
Mr. Money abstained from the vote.

SECTION THREE – CONSTRUCTION FUND

Project Status and Business Transacted

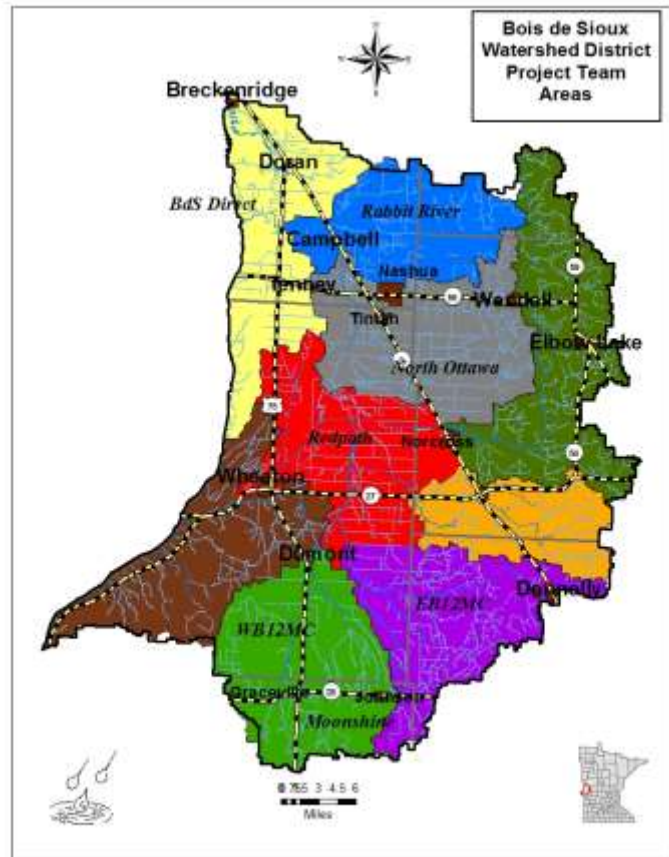
Project Teams

The Bois de Sioux Watershed District is a subwatershed of the Red River of the North basin. In December of 1998, many agencies and organizations signed the Red River Basin Mediation Agreement which outlined how projects will be developed in the Red River Valley in Minnesota. That agreement states that the districts within the basin will attempt to balance each project design with Flood Damage Reduction (FDR) benefits and Natural Resource Enhancements (NRE). Part of that process requires that each district establish a Project Team for each project containing members from local, regional, state and federal agencies along with environmental organizations and local landowners.

The Bois de Sioux Watershed District administers eight (8) Project Teams as follows:

1. North Ottawa
2. Redpath
3. East Branch Twelve Mile Creek
4. West Branch Twelve Mile Creek
5. Moonshine
6. Rabbit River
7. Bois de Sioux Direct
8. TCD #52

With the exception of the Moonshine PT and the TCD #52 PT, they are organized on a sub-watershed alignment as shown on the following map.



Bylaws and Regulations

The Bois de Sioux Watershed District has adopted rules to control watershed activities as required by M.S. 103D.341. Bois de Sioux Watershed District rules lay out a permit process which land owners must follow. Permits are required for any type of work related to new ditching, improved ditching, drainage from one sub-watershed to the other, construction, alteration or removal of any dike, reservoir work, land forming, wetland drainage, work within natural drainage ways, lakes, wetlands and other abutting land and drainage structures. Land owners should contact the Bois de Sioux Watershed District Office for assistance and direction in filing permits.

For a copy of the Policies and Procedures Manual of the Bois de Sioux Watershed District, please contact the Bois de Sioux Watershed District Office or go to www.bdswd.com Permit applications can also be found online at this address.

Any land owner that proceeds to do work without a permit, when the project requires one, is subject to a minimum

of \$3250 After-The Fact Permit Fee plus any Engineering/Attorney Fees incurred in the processing of said permit.

There were a total of 11 permits processed in 2018.

The Drainage Committee of the BdSWD continued to review and revise permit policies in 2018 as issues were identified. The policies and application form can be found online or by contacting the District Office.

2018 Projects and Programs

2018 Projects and Programs: Distributed Storage Strategy

In 2012, the BdSWD completed a 20% Flow Reduction Strategy for the watershed. This study focused on placing storage within the Bois de Sioux Watershed District. A total of 26 sites or potential projects were identified within the District. The storage was placed in the Lake Traverse and Rabbit River basins. Site selection was based primarily on the need for local flood control as flooding problems are widespread in the Bois de Sioux Watershed District.

The Bois de Sioux Watershed District prioritizes development of specific impoundment projects based on need, local support, budget, and importance of other watershed projects and programs that require the time of district staff.

2018 Projects and Programs: North Ottawa Impoundment Project

The Bois de Sioux / North Ottawa Joint Powers Agreement between the Department of Natural Resources and the Bois de Sioux Watershed District Office expired December 31, 2017. No new joint powers agreement was implemented in 2018.

Meetings with DNR representatives and legal counsel continued in 2018, with no substantive advancement. In an effort to move discussions forward, a Scope of Services contract with Louis Smith, SmithPartners, was approved in November. Mr. Smith provides knowledge of and experience with the North Ottawa Impoundment Project and Flood Hazard Grant Mitigation funding objectives. Legal fees for the year, on this issue, totaled \$34,262.



Cattail, tree spraying, and mowing were the largest maintenance costs in 2018. Staff have notified Board Managers that there are many trees that will need to be removed in the future, and that the Impoundment's wood gate panels will need to be replaced.

In 2018, the North Ottawa Impoundment provided:

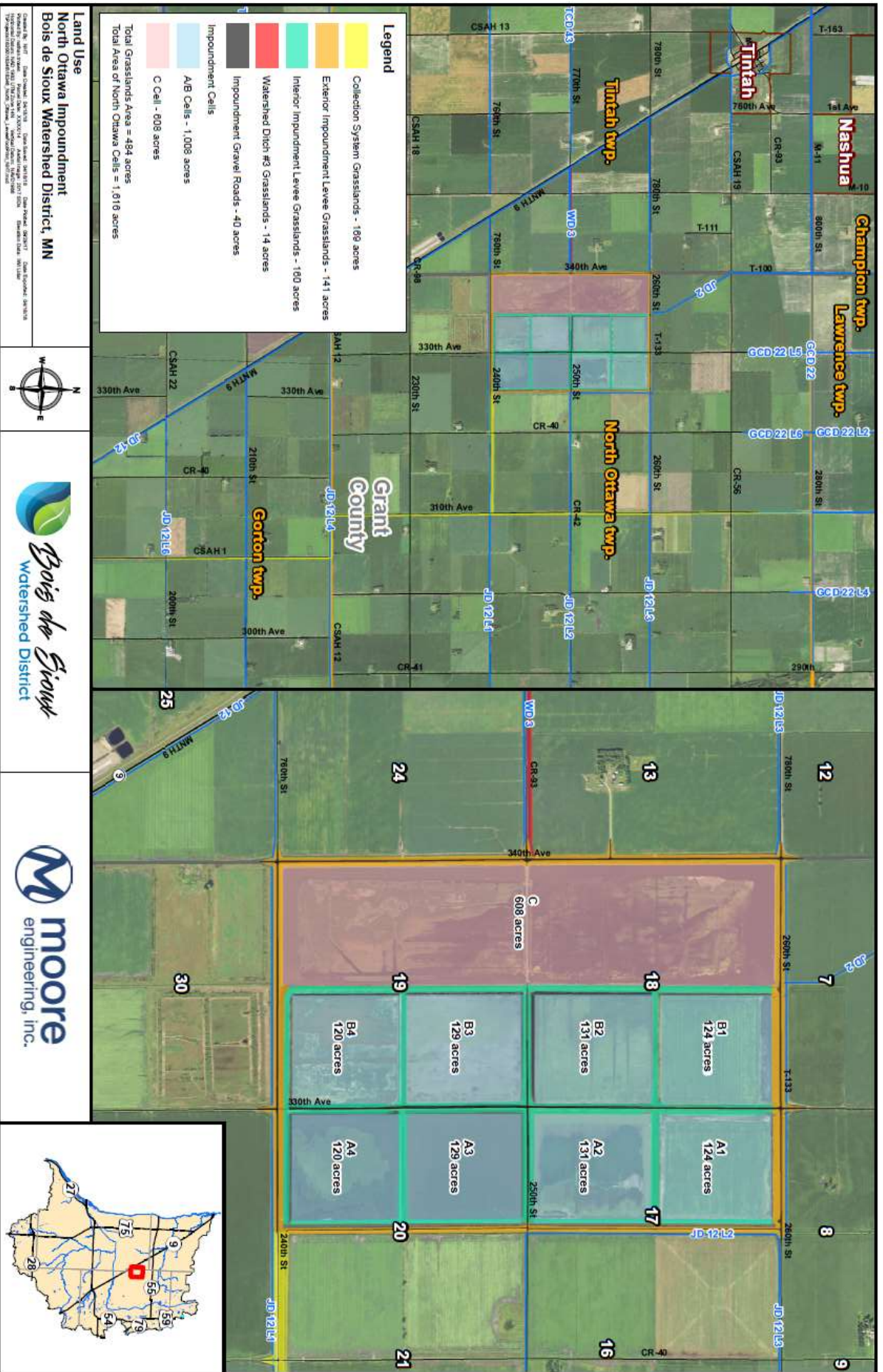
848 Acres Wet Cell Habitat

607 Acres Grassland

644 Acres Revenue + Habitat + Public Value

Dr. Jay Leitch and a master's student are conducting a cost-benefit analysis of the North Ottawa Impoundment. The study is funded by the Center for Study of Public Choice and Private Enterprise, and may be finished in 2019 (November 15, 2018).

2018 Projects and Programs: North Ottawa Impoundment Project Acres



Legend

- Collection System Grasslands - 108 acres
- Exterior Impoundment Levee Grasslands - 141 acres
- Interior Impoundment Levee Grasslands - 160 acres
- Watershed Ditch #3 Grasslands - 14 acres
- Impoundment Gravel Roads - 40 acres
- Impoundment Cells
- A/B Cells - 1,008 acres
- C Cell - 608 acres
- Total Grasslands Area = 484 acres
- Total Area of North Ottawa Cells = 1,018 acres

Land Use
 North Ottawa Impoundment
 Bois de Sioux Watershed District, MN

PROJECT DESIGN: BOIS DE SIOUX WATERSHED DISTRICT
 PREPARED BY: BOIS DE SIOUX WATERSHED DISTRICT
 DATE: 11/14/2017
 PROJECT NO: 2017-001
 DRAWING NO: 2017-001-001



2018 Projects and Programs: Bois de Sioux River Watershed WRAPS & TMDL

MPCA published a draft of the Bois de Sioux River Watershed TMDL, WRAPS Report, and WRAPS Report Summary (March 2018). In response, the District hosted an open meeting with MPCA representatives, in order to review the report details, and ask questions of researchers (April 24, 2018). Report highlights include:

- Lake Traverse is not listed as impaired in Minnesota or South Dakota.
- 96% of phosphorous loading in Mud Lake is internal to the lake (land use changes will not change water quality overall)
- 66% of phosphorous loading in Traverse Lake is internal to the lake (land use changes will not change water quality overall)
- E.coli is high, but there are no correspondingly high manmade sources; natural background/wildlife are the most likely culprit.
- Pesticides were not found to be a problem in this watershed.
- Dissolved oxygen, fish populations, and turbidity are stream issues; increasing stream flow could improve these conditions.
- MPCA recommended improvements to reduce phosphorous loading to streams. The District has been actively advancing ditch retrofits, flood impoundments, and stream restoration projects.

Comments were submitted by the District in response to the draft reports. Reports were not finalized as of December 31, 2018.

2018 Projects and Programs: Moonshine Lakebed Restoration Project

The BdSWD continues to work to acquire necessary lands for this project area from willing sellers. Until such time that the necessary land rights are obtained for this project, no further project development will take place. The Wetland Banking program was discussed in regard to this lakebed restoration project but decided to not utilize this system because of the way the project is being pursued.

2018 Projects and Programs: Moonshine 24/13

Land owned by the BdSWD was leased for farming again in 2018.

No progress has been made to date with establishing an impoundment in this area. It is the board's intention to continue to work to establish a small impoundment on this land and land adjacent once land rights issues are worked out with the neighboring landowners. Neighboring landowners have been contacted and talks continue.

2018 Projects and Programs: River Watch Program

The River Watch (RW) program provides hands-on watershed science education, promotes water resources stewardship, and introduces high school participants to career opportunities in watershed science. The program focuses on education through water quality monitoring, macroinvertebrate and mussel sampling, snow and frost depth studies, and river geomorphology. The Bois de Sioux Watershed District supports the RW program and valuable water quality data is obtained within the watershed as a result of this project.

On February 7, 2018, the Campbell-Tintah team attended the International Water Institute at the Alerus Center in Grand Forks. Their keynote speaker for the day was Brad Durick, a Red River catfish guide.

The team presented their poster, which can be viewed at: <https://iwinst.org/mesmerize/watershed-education/river-watch/forum-resources/2018-forum-resources/>. The team was awarded the Managers' Choice Award.

The BDSWD provides support for the program by covering costs of substitute teachers, transportation, and students' lunches on sampling days and when students attend the RW Forum and the water quality training/certification

session. Laboratory analyses of water samples have also been covered if a special research project is undertaken by a RW team or student. Financial support is also provided by the Red River Watershed Management Board (RRWMB) and the Minnesota Clean Water Legacy Fund. Coordination and implementation support is provided by the International Water Institute.

This partnership with the watershed district and area schools contributes to the education of the students, promotes good stewardship of our water resources and provides valuable data to area water resource managers and agencies.

2018 Projects and Programs: 103F.048 Buffers

With the transition from one attorney to another, the District’s Buffer Rule development was delayed. A rule was drafted and submitted to BWSR (November 15, 2018). The District did purchase a sport utility vehicle in order to more efficiently inspect ditch buffers and survey buffer areas (May 17, 2018).

2017 Projects and Programs: Soil & Water Conservation District CRP Incentive

The Bois de Sioux Watershed District Overall Plan identifies wetland restoration and buffer strip/ permanent grass installation as an action item identified to reduce runoff, increase infiltration, and improve habitat.

In 2018, the district provided financial assistance to Traverse and Grant SWCD’s for CRP acres planted, in the Bois de Sioux Watershed, thru calendar year 2017. The breakdown is as follows:

SWCD	Acres	Payment
Traverse	3,426.28	\$24,463.69
Grant	644.03	\$4,598.39
Ottertail	150.88	\$1,077.29
Stevens	531.53	\$3,795.13
Big Stone	0.0	\$0.00
Wilkin	429.34	\$3,065.50
TOTAL	5182.06	\$37,000.00

2018 Projects and Programs: Land Acquisition

Construction and permanent easements were acquired for retrofit construction and buffers on WCD #8, at a cost of \$135,754.00.

2018 Projects and Programs: Southern Boundary

Hearings continued in response to the 2017 petition to refine the District’s south-eastern boundary with the Upper Minnesota River Watershed District. On December 20, 2018, the District passed a resolution approving the boundary change; the issue was then forwarded to BWSR for additional procedural steps.

2018 Projects and Programs: Bois de Sioux Direct

The District was selected in prior years to receive grant funding to study watershed flooding and develop a watershed protection plan for landowners in the Doran Creek area. Funding for these efforts was provided by the Federal Regional Conservation Partnership Program (RCPP).

The ultimate purpose is to find a solution to provide flood damage reduction from a 10-yr 24-hr storm for agricultural land in the Doran Creek subwatershed and to provide flood protection from a 100-yr event for public and private infrastructure within the City of Doran.

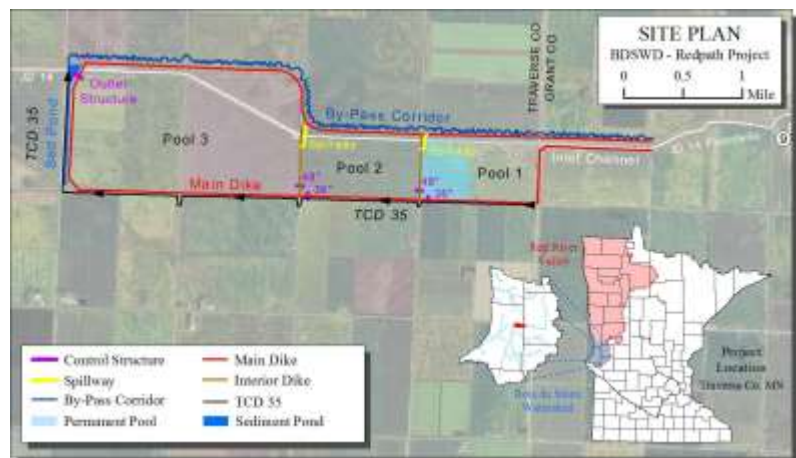
In 2018, engineering staff continued to work on modelling and solution alternatives for frequent flood events. In September, legislators and policymakers from various Red River organizations attended a bus tour, and visited the City of Doran and heard details about the project's status (September 20, 2018).

2017 Projects and Programs: Redpath Projects

In 2008, the Board of Managers established the Redpath Project Team and charged them with the task of identifying the problems in the area and reviewing alternative solutions. The team did their work in the first 8 months of the year and recommended a project solution to the Board in August 2008.

The impoundment dike on the south side will be constructed on the section lines.

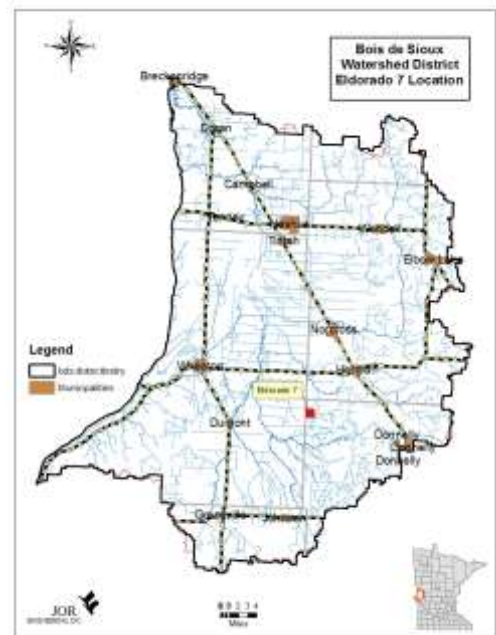
Traverse County Ditch 35 (TCD35) will be relocated south of its current location to facilitate construction of the dike. The west dike will be constructed approximately 350' east of CSAH13 to allow room for TCD35 and a sedimentation pond between the dike and road. The north dike of the impoundment will be built north of JD14 and a new By-pass Corridor will be constructed north of this dike. From the county line east one mile, dikes will be built on either side of JD14 to form a diked inlet from the inlet structure to the impoundment. A floodway will be constructed along the existing JD14 channel to provide improved conveyance from the inlet structure to the impoundment pool areas.



The impoundment is divided into 3 pools as shown in Figure 6. The inlet structure will allow Pool 1 to fluctuate at river level. As the pool rises, some of the JD14 flow will bypass the impoundment using the new channel within the By-pass Corridor. Increased flows from the upstream drainage area will be split between the By-pass Corridor floodway and the impoundment. A culvert at the entrance to the By-pass Corridor will restrict the amount of flow that takes that route. The By-pass Corridor will extend from the inlet structure, follow along the north dike and outlet back into JD14 at the northwest 10 corner of the impoundment. Flows into the impoundment will be from Pool 1 to Pool 2 to Pool 3 via overflow spillways and ultimately through the outlet structure to JD14. Support for this project appears to be very widespread, from local landowners to the federal agency level.

The NW corner of Section 21 is the only parcel remaining to be acquired for the impoundment footprint with two additional parcels needed for the TCD #35 area and one remaining parcel along the north side to accommodate the by-pass corridor.

In 2014, the Environmental Assessment Worksheet (EAW) was completed. Staff have continued to work through the necessary steps to obtain a USCOE 404 and 408 permit along with the State WCA permit.



The Lessards Heritage LHOSC grant, for the Redpath Impoundment Project, was extended for three years, expiring June 30, 2022 (October 19, 2017).

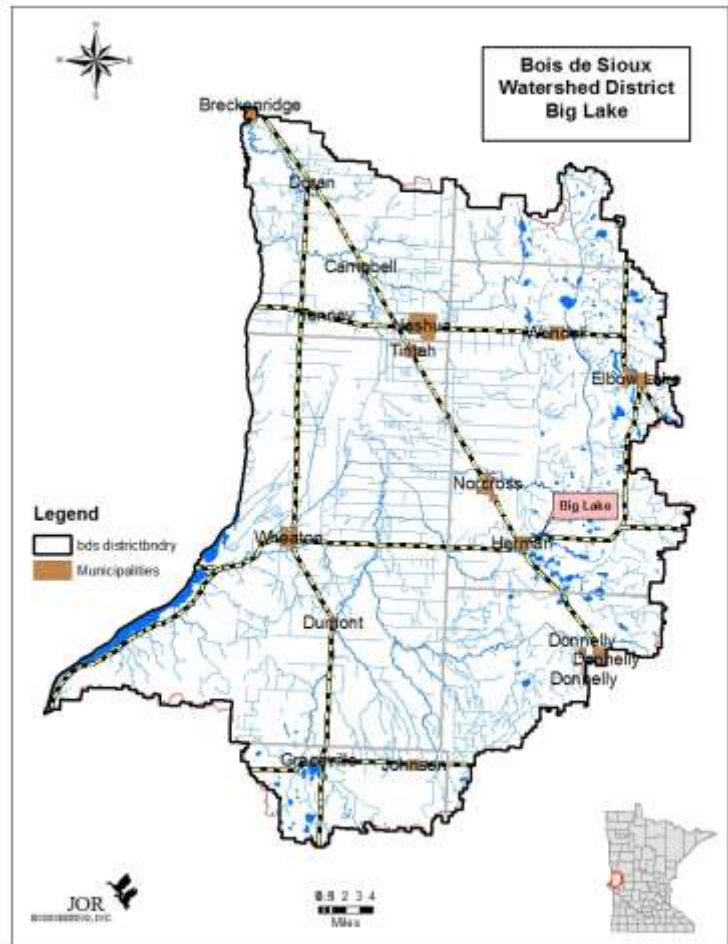
The District returned \$299,483.63 that was overcredited to the District by a grant from the State of Minnesota for Redpath expenses. This amount will be added back to the total amount total (reencumbered) that the District can request in eligible expenses in the future.

2018 Projects and Programs: East Branch Twelve Mile Creek Project/Eldorado 7

In December 2005, the team made a recommendation to the BdSWD Board that there needed to be about 3,300 acre feet of storage implemented in this sub-watershed. There were a few suggested locations for impoundments to provide a part of that storage. This project team is currently inactive due to BdSWD issue prioritization.

2018 Projects and Programs: Big Lake

This project is currently inactive due to BdSWD priorities and project development difficulties resulting from permitting complexity. The current BdSWD proposed summer elevation is 1075 with a 1073 fall drawdown. This project would complete the third of three phases identified for flood risk reduction within the City of Herman. The first two phases included a re-design of the city stormwater conveyance system and the outlet channel to Pullman Slough west of the city. Water level control on Big Lake would provide additional protection to the city where flows could be metered through the system in an attempt to prevent exceeding the conveyance system's design capacity.

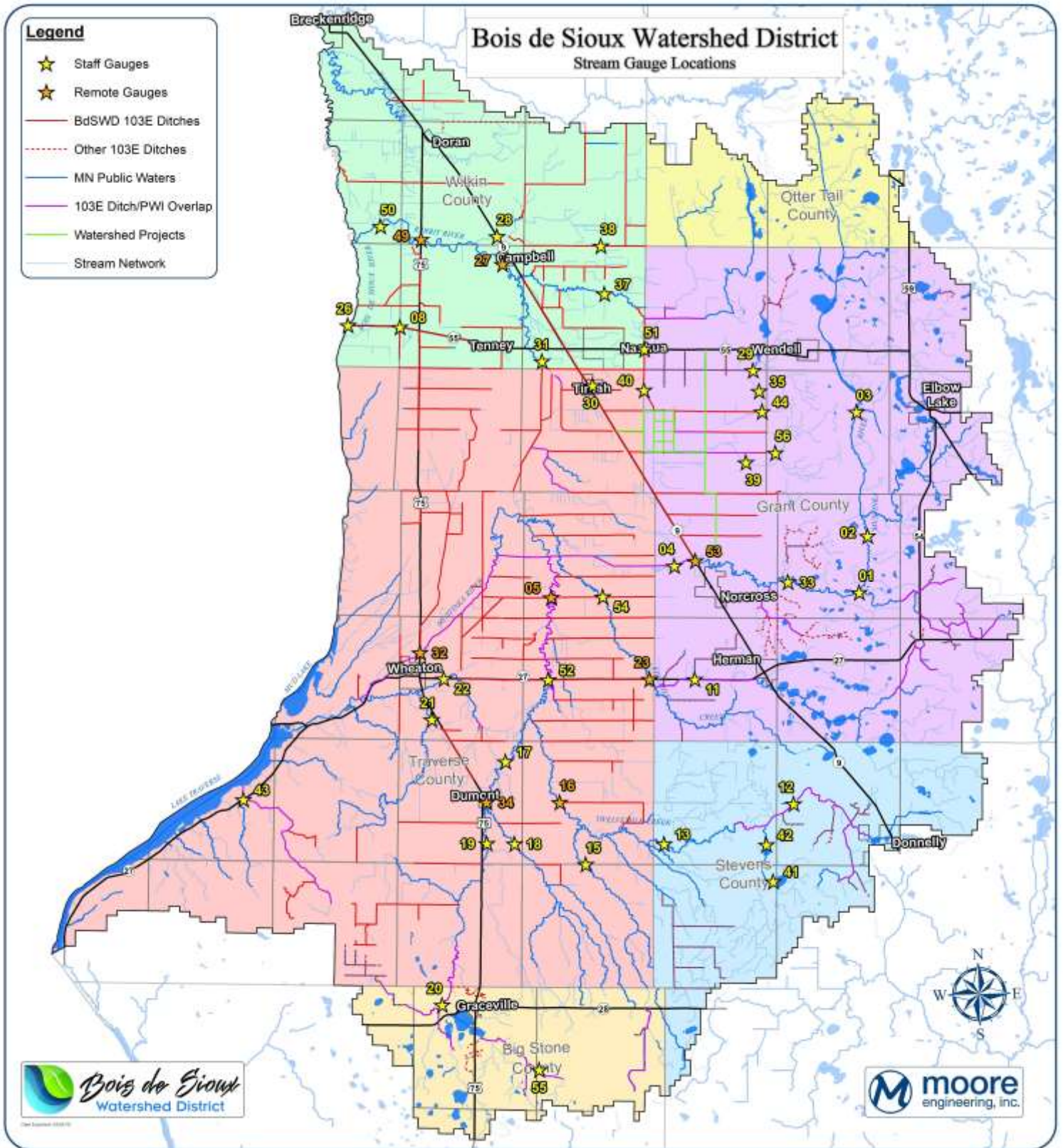


2018 Projects and Programs: Stream Gauging

In 2018, there were forty-two (42) gauging sites in the Stream Gauge Monitor Program. Nineteen (19) of those sites are considered active in which data was collected in 2016 and/or 2017. Volunteers that live within the vicinity of each gauge do the actual day-to-day monitoring of the stream gauge. The program is coordinated through the administrative office. Volunteer readers are compensated at a rate of seventy-five dollars (\$75.00) per gauge, per year, to help offset costs for accessing the gauge. *Stream Gauge Data for 2018 has been entered into the BdSWD computer data base.*

Each year, gauge readers are asked about the condition of their gauging site via a questionnaire sent by mail. If the gauge needs work or there is a request to modify the gauge, it is reviewed by the administration and assigned to an engineering technician to investigate, repair, or modify as the case may require.

2018 Projects and Programs: Stream Gauging Locations



2018 Projects and Programs: 2018 Other Activities

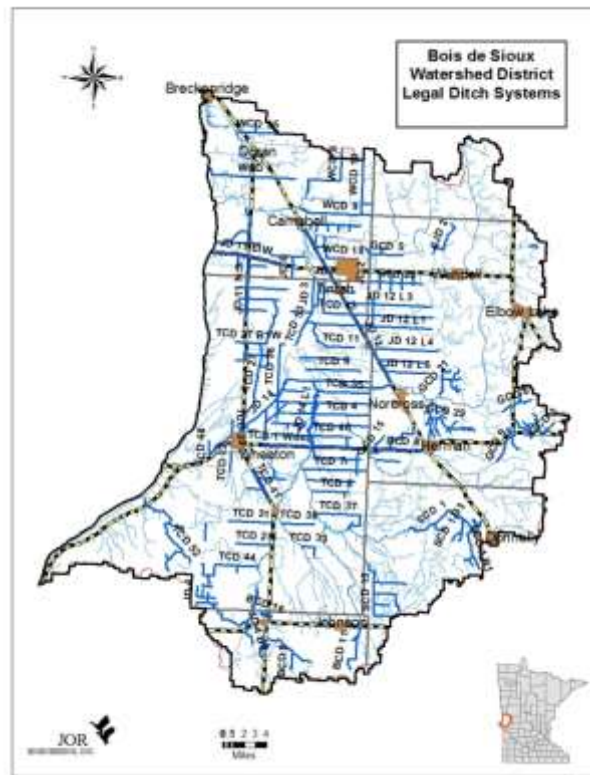
- **Land Leases:** Four leases were renewed, twenty-one parcels were bid, and 16 were negotiated directly with adjacent landowners (December 20, 2018). North Ottawa lands were bid in January 2019.
- **Lake Traverse Water Quality Improvement Project No. 1:** Concerns about sedimentation and erosion in the TCD #52 and Lake Traverse outlet were widely discussed and documented in 2018. Board Managers passed a preliminary resolution (August 16, 2018). In November, hearings were scheduled for 2019 (November 15, 2018).

SECTION FOUR - DITCH FUND

Project Status and Business Transacted

Since 1992 sixty (60) ditch systems have been under the jurisdiction of the Bois de Sioux Watershed District, with JD#3 added in 1995. This includes approximately four hundred (400) lineal miles of ditch. Ditch funds are managed by the district office. Annual ditch inspections are completed each year and a copy of reports are kept on file.

An annual spray program for heavy vegetation and trees in legal ditch systems is also administered by the BdSWD. In 2015, the Board changed their approach to vegetation control in the ditch systems. They essentially decided to hire 2 contractors, one for cattail control and the other for brush control. Each contractor will drive by one third of the ditch systems and treat the vegetation found. Each year they would continue in this manner, effectively treating each ditch once every 3 years. If additional vegetation issues are found on other systems, they would be noted and added to the contractor's list of systems to address in any given year. It was felt this would be more efficient use of time and provide a cost savings to the ditch systems. The contractors would provide a report of the areas treated for vegetation with their invoice.



2018 Legal Drainage Ditch Work

2018 Legal Drainage Ditch Work: General Activities

- **Equipment Purchased:** \$2,000 Magna-Trak Magnetic Locator (February 22, 2018).
- **Equipment Sold:** None.
- **Interest Rate:** The interest rate was set in 2017 remained 3.75% for ditch funds with negative balances (December 13, 2017).
- **Contractors Hired:** Don Reffer of B & W Control Specialists was contracted for brush control and tree removal. Leo Splonskowski of LM Road Services was contracted to spray cattails and brush.
- **Ditch Assessments:** It wasn't discovered until 2019, but Wilkin County ditch assessments for 2018 were not assessed correctly

2018 Legal Drainage Ditch Work: Specific Ditch Activities

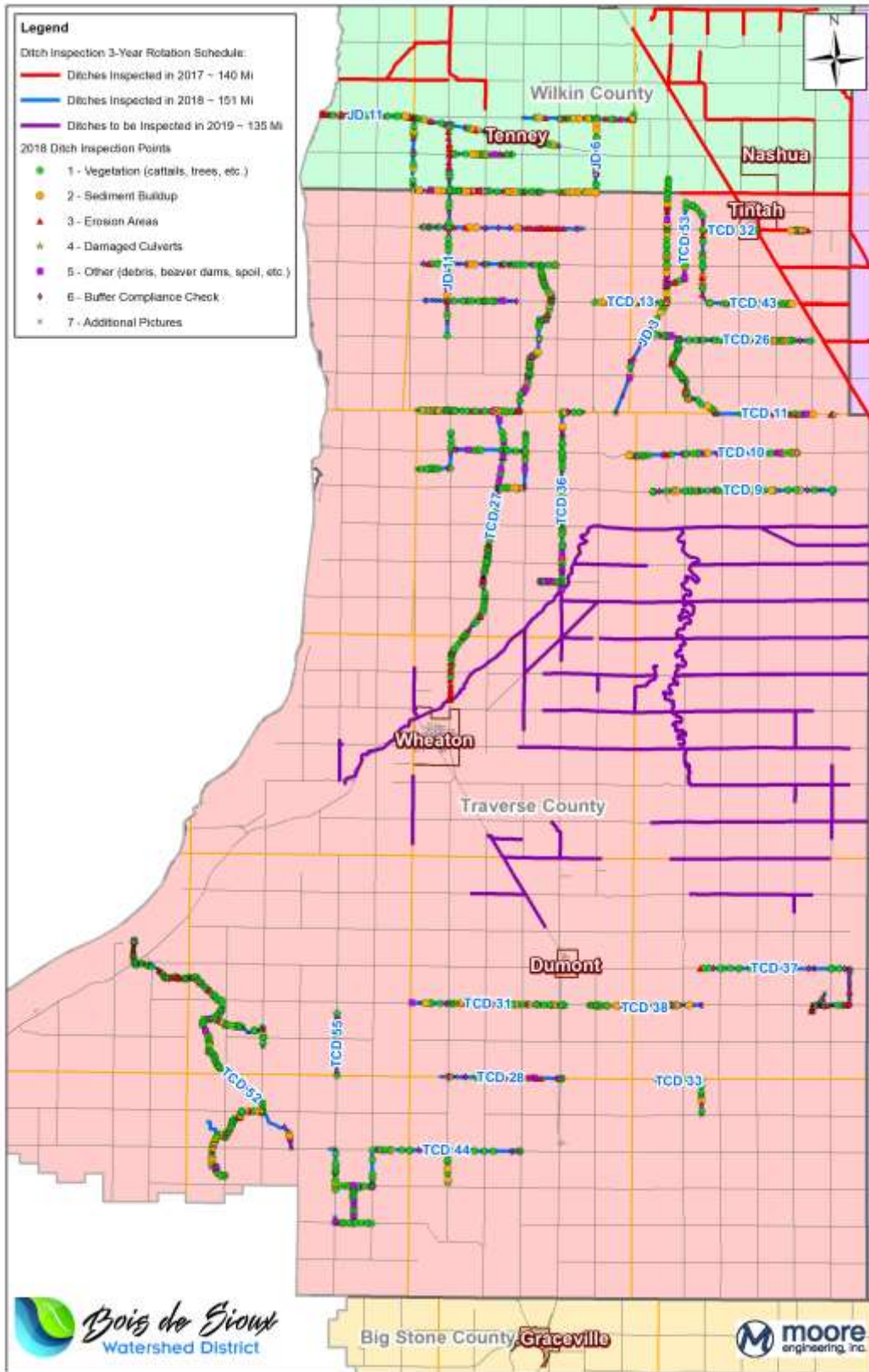
Beyond cattail spraying, brush and beaver removal:

- **JD #3:** Field approach crossing was installed.
- **JD #6:** A petition for repair was received, and viewers were appointed (March 15, 2018). Construction is anticipated in 2021 (June 21, 2018).
- **JD #7:** Cleanout of the outlet mile of the east end. One damaged culvert was replaced and an additional culvert was installed on the west end.
- **JD #11:** Viewers continued their work on the JD #11 Redetermination. Although the bulk of the work has been completed, buffer acquisition funding concerns put the project on-hold until 2020 (June 21, 2018).
- **JD 12:** Cleanout of the entire main channel that begun in 2017 was completed in 2018. Maintenance was performed along two JD 12 L1 crossings to reduce erosion and improve the road safety.
- **JD 14:** Erosion on the road slope causing sediment buildup in the channel was repaired at one location along the main channel.
- **TCD #2:** Cleanout of approximately 1.5 miles. Riprap was installed and the spoil piles were leveled.
- **TCD #4:** Cleanout of approximately 2 miles and one damaged field crossing culvert was replaced.
- **TCD #7:** Cleanout of approximately 2 miles and tree removal.
- **TCD #8:** Landowner Mark Lampert successfully petitioned land into the drainage system (May 17, 2018).
- **TCD #16:** Leveled spoil piles from 2017 cleanout.
- **TCD #20:** Cleanout of the approximately 1 mile.
- **TCD #23:** Traverse County provided \$70,000 to a cooperative repair of the ditch system. Eight crossings were replaced and miscellaneous ditch maintenance activities were included.
- **TCD #27:** Cleanout of approximately 3 miles was completed and spoil piles were leveled from 2017 cleanout. No resolution to the township's buckled culvert under 670th St.
- **TCD #31:** Traverse County SWCD to install erosion protection structures where field drains enter the ditch. Construction to take place in 2019. Spot-cleaning was completed.
- **TCD #32:** Cleanout of the outlet mile.
- **TCD #35:** Cleanout of approximately 2.5 miles.
- **TCD #37:** Repair construction continued from 2017; project finished and closed-out.
- **TCD #40:** Landowner Julie Deal successfully petitioned land into the drainage system (April 19, 2018).
- **TCD #43:** Cleanout of the outlet mile.

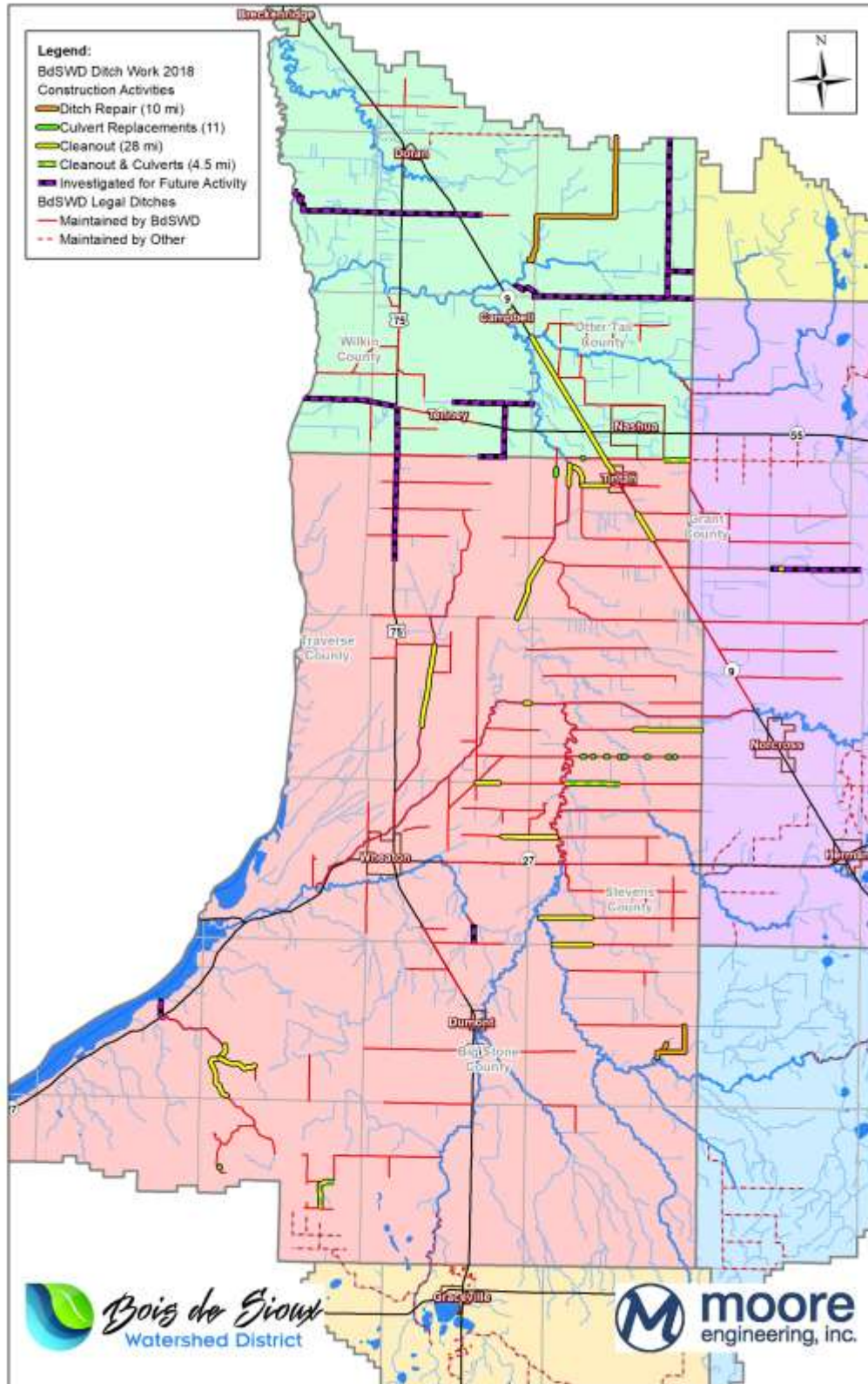
- **TCD #44:** Cleanout of approximately 1.5 miles. Two damaged field approach crossings were replaced as well.
- **TCD #52:** The District applied for an EPA 319 grant and was selected as a finalist, but was not selected for an award following an on-site interview. The District applied for a BWSR grant, but was not selected for an award. Landowners and Board Managers continue to make this project a priority, and have advanced project planning efforts. Permitting has been received from the Army Corps of Engineers and is valid until 2022. The project is shovel ready, with an estimated cost of \$500,000. This project will continue to be vetted in 2019. Ditch maintenance activities in 2018 included removing a culvert along Lateral 2, cleanout of approximately 2 miles of the main channel and 1.5 miles of Lateral 1. Spoils will be leveled in 2019.
- **TCD #53:** Cleanout of the upstream 2 miles and the outlet mile. Riprap was installed and the spoil piles were leveled.
- **WCD Sub-1:** Meetings were held with landowners, but there is not consensus that a formal repair should be pursued.
- **WCD #8:** Redetermination proceedings were finished (March 15, 2018). The repair construction contract was awarded to Fridgen Excavating (April 19, 2018). Construction continued throughout the summer. Work will continue into 2019.
- **WCD #9 & #10:** Landowners continued to voice support for the proposed \$2,077,000 drainage improvement project; they provided an additional \$40,000 bond to complete final engineering (March 15, 2018). Wilkin County SWCD applied for a \$331,064 Multipurpose Drainage Management Grant; only \$67,188 was awarded by BWSR. The \$331,064 represents 50% of the total construction cost of the aspects of the improvement that will improve water quality. Beyond the BWSR grant offered, 97% of the cost of this project is paid by landowners. The District considered using Construction Funds to recognize the water quantity and quality improvement aspects of formal drainage system improvements and repairs, but no policy was implemented in 2018 (December 21, 2018).

Ditch	RFM #	Landowner Described Problem
TCD 27	001-18	Damaged Culvert
TCD 2	002-18	Sediment and Cattails
TCD 52	003-18	Needs Bank Restoration
TCD 52	004-18	Sediment
TCD 52	005-18	Sediment
TCD 44	006-18	Sediment
TCD 52	008-18	Sediment and Cattails
TCD 52	008-18	Sediment
TCD 52	009-18	Sediment
TCD 52	010-18	Damaged Culvert and Sediment
TCD 35	011-18	Sediment and Cattails
TCD 4	012-18	Sediment and Cattails
TCD 32	013-18	Sediment and Cattails
JD 7	014-18	Damaged Culvert, Sediment and Cattails

2018 Legal Drainage Ditch Work: Inspection Map



2018 Legal Drainage Ditch Work: Map



SECTION FIVE - PLANS FOR THE SUCCEEDING YEAR

- The Bois de Sioux Watershed District will conduct the necessary procedures to maintain the 400 lineal miles of legal ditch systems under their jurisdiction. This includes inspections, vegetation control, repairs, accounting, reports, etc.
- The Bois de Sioux Watershed District will continue to work towards acquisition of lands for the purpose of finalizing the needs for the Redpath Project.
- The Bois de Sioux Watershed District will continue to develop the Redpath Impoundment as it moves into the final stages of design and permitting. Permits still needed are the Federal 408 (alteration of a federal project) State of Minnesota Dam Safety Permit, and potentially a MnDNR Public Waters Permit. They will continue to manage the funding needs of the project and consider grants from additional sources as they see appropriate.
- The Bois de Sioux Watershed District Board and staff will continue to serve on the many boards, committees, and commissions that they are currently a part of. They will also consider serving any new capacities they are asked to participate in to further the goals of the district and Red River Basin.
- The Bois de Sioux Watershed District will continue to meet with the Rabbit River, Bois de Sioux Direct, Five Mile Creek, and TCD #52 Project Teams as necessary to continue development of the necessary Summary Reports and Recommendations as directed by the Board of Managers.
- The BdSWD will continue the support for the River Watch Program and encourage new schools to participate.
- The BdSWD will continue to promote education through the distribution of the educational video and periodic public informational meetings.
- The BdSWD will continue to facilitate additional project teams, as needed, to work towards resolving water problems in the watershed.
- The BdSWD will continue work on the 1W1Plan in the 2019 calendar year.
- The BdSWD will continue to work with Grant County and MnDOT on watershed projects that could be constructed congruently with MnDOT's Highway 55, Grant County Road 42, and County State Aid Highway 1 road improvement projects. The proposal estimates a total project cost of \$1,800,000; BdSWD's participation is \$400,000. There are several benefits for the Watershed, including reduced permitting processes (by participating with MnDOT's projects) and Mustinka flow reductions (that would result in less water being driven into JD #12, the Rabbit River and Doran Creek) (November 2, 2017).

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
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INTRODUCTORY SECTION

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA
PRINCIPAL DISTRICT OFFICIALS
DECEMBER 31, 2018**

Position	Name	County	Term Expires in May
President	Linda Vavra	Stevens	2019
Vice President	Jerome Deal	Traverse	2019
Treasurer	Allen Wold	Traverse	2020
Secretary	Scott Gillespie	Big Stone	2021
Manager	Doug Dahlen	Grant	2019
Manager	Vacant	Ottertail	Vacant
Manager	John Kapphahn	Grant	2020
Manager	Jason Beyer	Wilkin	2021
Manager	Steven Schmidt	Traverse	2021

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Managers
Bois de Sioux Watershed District
Wheaton, Minnesota

We have audited the accompanying statement of balances arising from cash transactions for each fund of the Bois de Sioux Watershed District (the District) as of and for the year ended December 31, 2018, and the related statement of cash receipts, disbursements, and changes in cash fund balances, the statement of fiduciary cash position, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Minnesota Office of the State Auditor, the financial statements are prepared by the District in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 or its changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the balances arising from cash transactions of each fund of the District as of December 31, 2018 and their respective cash receipts, disbursements and changes in cash fund balances for the year then ended, in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bois de Sioux Watershed District's basic financial statements. The budgetary comparison schedule and combining statement of cash receipts and disbursements — ditch special revenue fund, combining statement of cash receipts, disbursements, and changes in cash fund balance — ditch special revenue fund, and schedule of changes in fiduciary cash position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and combining statement of cash receipts, disbursements and changes in cash fund balance — ditch special revenue fund and combining statement of cash receipts and disbursements — ditch special revenue fund and schedule of changes in fiduciary cash position are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters (Continued)

Supplementary and Other Information (Continued)

The schedule of accounts receivable and schedule of accounts payable have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the Bois de Sioux 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 Bois de Sioux Watershed District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
March 12, 2019

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FINANCIAL STATEMENTS

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Ditch Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	<u>\$ 210,018</u>	<u>\$ -</u>	<u>\$ 7,222,478</u>	<u>\$ 7,432,496</u>
LIABILITIES				
Deficit Cash Balances	\$ -	\$ 935,879	\$ -	\$ 935,879
CASH FUND BALANCES				
Restricted	-	245,233	-	245,233
Assigned	-	-	7,222,478	7,222,478
Unassigned	210,018	(1,181,112)	-	(971,094)
Total Cash Fund Balances	<u>210,018</u>	<u>(935,879)</u>	<u>7,222,478</u>	<u>6,496,617</u>
Total Liabilities and Cash Fund Balances	<u>\$ 210,018</u>	<u>\$ -</u>	<u>\$ 7,222,478</u>	<u>\$ 7,432,496</u>

See accompanying Notes to Financial Statements.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Ditch Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
RECEIPTS				
Taxes	\$ 160,299	\$ -	\$ 1,035,511	\$ 1,195,810
Ditch Assessments	-	971,863	-	971,863
Intergovernmental Receipts	4,028	927,239	71,413	1,002,680
Interest Earnings (Loss)	(253)	(52,215)	52,521	53
Miscellaneous	2,980	76,920	44,423	124,323
Interfund Reimbursement	305,425	-	-	305,425
Land Rental	-	-	683,450	683,450
Total Receipts	<u>472,479</u>	<u>1,923,807</u>	<u>1,887,318</u>	<u>4,283,604</u>
DISBURSEMENTS				
Administration	137,819	115,921	65,575	319,315
Personnel	146,117	1,086	-	147,203
Services and Charges	17,924	-	139,018	156,942
Contractual Services	-	-	164,245	164,245
Supplies	3,004	-	849	3,853
Legal	43,736	50,881	34,215	128,832
Engineering	24,580	624,465	888,824	1,537,869
Repair and Maintenance	924	776,406	129,593	906,923
Capital Outlay	656	180,596	38,514	219,766
Total Disbursements	<u>374,760</u>	<u>1,749,355</u>	<u>1,460,833</u>	<u>3,584,948</u>
NET CHANGE IN CASH FUND BALANCES	97,719	174,452	426,485	698,656
Cash Fund Balances (Deficits) - Beginning of Year	<u>112,299</u>	<u>(1,110,331)</u>	<u>6,795,993</u>	<u>5,797,961</u>
CASH FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 210,018</u>	<u>\$ (935,879)</u>	<u>\$ 7,222,478</u>	<u>\$ 6,496,617</u>

See accompanying Notes to Financial Statements.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
STATEMENT OF FIDUCIARY CASH POSITION
AGENCY FUND
DECEMBER 31, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 14,472</u>
LIABILITIES	
Cash Due to Others	<u>\$ 14,472</u>

See accompanying Notes to Financial Statements.

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**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bois de Sioux Watershed District (the District) was organized in 1988 under the provisions of Minnesota Statutes Chapter 103D; additional powers and duties are contained in Minnesota Statutes Chapters 103E and 471. The purpose of the District is to provide water management within its geographic boundaries. In addition to existing water problems, the District recognizes the need to prevent flooding and improve water quality. The District is governed by a Board of Managers composed of nine members, three from Traverse County, two from Grant County, and one each from Big Stone, Otter Tail, Stevens, and Wilkin Counties. Board members are appointed by the respective County Boards of Commissioners for three-year terms.

In accordance with Government Accounting Standards Board (GASB) Statements, these financial statements include only financial data for which the primary government is financially accountable. The primary government includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Financial accountability includes appointment of the organization's governing body by the primary government and (a) the ability to impose its will on the organization or (b) the organization's ability to provide financial benefit to or impose financial burdens on the primary government.

Eight watershed districts within the Red River Valley form the Red River Watershed Management Board. They work together under a joint powers agreement towards a basin-wide approach to resolving water resource problems in the Valley. The District collects property taxes and remits the collections to the Red River Watershed Management Board which funds projects along the Red River Valley. The Bois de Sioux Watershed District reports an agency fund to account for the property tax collections and payments.

Fund Accounting

The District uses funds to report on its assets, liabilities, cash fund balances, receipts, and disbursements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The District uses the regulatory basis as prescribed by the Minnesota Office of the State Auditor. The regulatory basis is a cash basis reporting structure. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of the District's general activities, including the acquisition and construction of projects. The General Fund is used to account for all activities of the general government not accounted for in some other fund.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Basis of Accounting

The District follows the cash basis accounting for all governmental funds. The cash basis of accounting recognizes receipts and disbursements only as cash is received or paid out. Therefore, the governmental fund statements do not give effect to receivables, payables, accrued expenses, and inventories and, accordingly, are not presented in accordance with generally accepted accounting principles.

General Fund

The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain specific revenue sources that are restricted or assigned to disbursements for specified purposes.

Ditch Fund

The Ditch Special Revenue Fund is used to account for financial resources for all ditches and their related disbursements. The supplementary ditch information is included although the ditches are separated for internal purposes. Receipts for the Ditch Fund are generated from property taxes levied. Receipts originate from property tax special assessment levies and are restricted for use in the Ditch Fund.

Construction Fund

The Construction Fund is used to account for the receipts and disbursements of various construction projects in the District. Receipts for the Construction Fund were generated through property levies, the state's related market value credits, land rent, and reimbursements on construction from both federal and state grants. These receipts are earmarked for project construction purposes.

Agency Fund

The Agency Fund is used to account for assets held by the District as an agent for the Red River Watershed Management Board. Agency Fund transactions principally consist of property tax collections and state credits received and disbursed for the Red River Watershed Management Board.

Budgets

Annually, the District Board adopts an estimated receipts and disbursements budget for the General Fund and adopts property tax levies which are submitted to the various counties. The District Board also adopts a budget for the special revenue funds. The budgets may be amended or modified at any time by the District Board.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Savings and Certificates of Deposit

Cash balances from various funds are pooled and invested to the extent available in a checking account, money market savings, and certificates of deposit. Earnings from investments are allocated based upon participation.

Property Taxes

General property tax receipts include current and delinquent property taxes received. Current property tax receipts represent the tax levy, less state aids and credits, certified to the county auditor which was collected during the year ended December 31, 2018.

Cash Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (i.e., statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Managers. The Board of Managers is authorized to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

Interest Allocation

The District charges interest at an annual fixed rate to those ditch funds that have an average negative fund balance and allocates the interest to the remaining ditch funds.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following fund has a deficit cash fund balance as of December 31, 2018:

Ditch Fund	\$ 935,879
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Deficit cash fund balances are due to disbursements exceeding receipts.

Management plans to assess the respective property owners' additional taxes to fund these disbursements and, over a period of time, eliminate the deficit cash fund balances.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

The District's total deposits and investments are as follows:

Checking Accounts	\$ 6,179,594
Savings Accounts	331,495
Total	<u>\$ 6,511,089</u>

A reconciliation of cash and investments as shown on the statement of balances arising from cash transactions:

Primary Government:	
Cash and Investments	\$ 7,432,496
Cash Deficit	(935,879)
Agency Fund	14,472
Total Cash and Investments	<u>\$ 6,511,089</u>

Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those institutions authorized by the Board. All such depositories are members of the Federal Reserve System or are state designated investment pools.

Custodial Credit Risk — Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's bank balance of deposits at December 31, 2018 was entirely covered by federal depository insurance.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The District does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are 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 the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements 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.

At December 31, 2018, the District had no investments.

NOTE 4 DEFINED BENEFIT PENSION PLAN

Plan Description

All full-time and certain part-time employees of Bois de Sioux Watershed District are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan which is a cost-sharing, multiple-employer retirement plan. This Plan is established and administered in accordance with Minnesota Statutes, Chapter 353 and 356. PERA’s defined benefit pension plans are tax-qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employee 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members are 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee 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 6% 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 and 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, but before retirement benefits begin.

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

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

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. General Employee Retirement Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2018. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan General Employee Plan members, 7.50% for Coordinated Plan members. The District's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2018, 2017, and 2016, were \$8,250, \$11,439, and \$7,397, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The District has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The District has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 6 FUND BALANCE

The District entered into an agreement with Wilken County during 2018 to finance a portion of the Wilkin County Ditch 8 project. As of December 31, 2018, \$245,233 remains unspent and is restricted for project work on Wilkin County Ditch 8.

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SUPPLEMENTARY INFORMATION

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE — CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Variance Over (Under)
RECEIPTS				
Taxes	\$ 250,000	\$ 161,980	\$ 160,299	\$ (1,681)
Intergovernmental Receipts	-	-	4,028	4,028
Interest (Loss)	-	-	(253)	(253)
Miscellaneous	-	2,980	2,980	-
Interfund Reimbursement	101,800	219,515	305,425	85,910
Total Receipts	<u>351,800</u>	<u>384,475</u>	<u>472,479</u>	<u>88,004</u>
DISBURSEMENTS				
Administration	136,900	141,125	137,819	(3,306)
Personnel	231,937	163,450	146,117	(17,333)
Services and Charges	12,500	7,500	17,924	10,424
Supplies	10,000	6,500	3,004	(3,496)
Legal	40,000	40,000	43,736	3,736
Engineering	25,000	25,000	24,580	(420)
Repairs and Maintenance	20,000	200	924	724
Capital Outlay	2,000	700	656	(44)
Total Disbursements	<u>478,337</u>	<u>384,475</u>	<u>374,760</u>	<u>(9,715)</u>
NET CHANGE IN CASH FUND BALANCE	(126,537)	-	97,719	97,719
Cash Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>112,299</u>	<u>112,299</u>
CASH FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (126,537)</u>	<u>\$ -</u>	<u>\$ 210,018</u>	<u>\$ 210,018</u>

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2018**

			Receipts	Net	Cash Fund	
	Receipts	Disbursements	Over (Under) Disbursements		Transfers	Balance
					12/31/2017	12/31/2018
Joint County Ditch						
2	\$ 9,598	\$ 2,424	\$ 7,174	\$ 8	\$ 138,934	\$ 146,116
3	22,613	26,675	(4,062)	9	15,424	11,371
4	352	749	(397)	(634)	1,031	-
6	13,188	93,003	(79,815)	9	(1,274)	(81,080)
7	17,060	15,912	1,148	7	(4,401)	(3,246)
11	75,165	220,014	(144,849)	46	(107,946)	(252,749)
12	194,598	114,217	80,381	79	(14,002)	66,458
14	94,731	12,332	82,399	55	(542,517)	(460,063)
Total Joint County Ditches	427,305	485,326	(58,021)	(421)	(514,751)	(573,193)
Traverse County Ditch						
1	10,731	891	9,840	14	51,801	61,655
2	7,793	10,551	(2,758)	7	32,834	30,083
4	21,243	29,259	(8,016)	8	5,709	(2,299)
7	22,552	27,016	(4,464)	9	(6,343)	(10,798)
8	6,202	1,773	4,429	6	22,920	27,355
9	4,880	2,583	2,297	8	15,409	17,714
10	6,661	2,498	4,163	7	(3,151)	1,019
11	29,932	4,150	25,782	11	(34,044)	(8,251)
13	5,658	1,311	4,347	3	(4,802)	(452)
15	833	98	735	2	1,261	1,998
16	8,084	2,042	6,042	8	(32,569)	(26,519)
17	5,966	260	5,706	6	(49,815)	(44,103)
18	3,594	201	3,393	3	(15,019)	(11,623)
19	756	80	676	4	547	1,227
20	2,743	3,565	(822)	4	(8,252)	(9,070)
22	2,746	127	2,619	3	(17,691)	(15,069)
23	99,170	212,171	(113,001)	8	1,936	(111,057)
24	1,477	4,172	(2,695)	5	6,640	3,950
26	3,004	2,009	995	6	3,885	4,886
27	63,024	36,232	26,792	31	(59,189)	(32,366)
28	5,743	3,938	1,805	5	(12,007)	(10,197)
29	1,845	226	1,619	3	7,078	8,700
30	8,096	612	7,484	6	(36,381)	(28,891)
31	15,520	4,903	10,617	6	(15,738)	(5,115)
32	2,110	9,580	(7,470)	4	7,930	464
33	1,634	1,675	(41)	3	10,473	10,435
35	3,840	11,315	(7,475)	7	15,159	7,691
36	3,258	3,516	(258)	9	(399)	(648)
37	32,540	52,949	(20,409)	10	(506,560)	(526,959)
38	2,743	557	2,186	5	11,597	13,788
39	1,183	98	1,085	2	3,519	4,606
40	12,614	973	11,641	7	(10,477)	1,171

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCE
DITCH SPECIAL REVENUE FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Traverse County Ditch (Continued)			Receipts	Net Transfers	Cash Fund Balance	
	Receipts	Disbursements	Over (Under) Disbursements		12/31/2017	12/31/2018
41	\$ 11,489	\$ 454	\$ 11,035	\$ 12	\$ (12,969)	\$ (1,922)
42	2,805	335	2,470	8	3,269	5,747
43	13,413	12,720	693	8	(3,653)	(2,952)
44	8,874	30,801	(21,927)	16	6,102	(15,809)
46	2,474	333	2,141	6	4,753	6,900
48	2,236	90	2,146	2	(21,198)	(19,050)
50	239	82	157	2	1,922	2,081
51	17,014	1,626	15,388	13	(25,079)	(9,678)
52	51,565	79,636	(28,071)	23	31,822	3,774
53	12,916	29,719	(16,803)	10	58,910	42,117
55	2,553	415	2,138	3	(5,155)	(3,014)
Total Traverse County Ditches	523,753	587,542	(63,789)	323	(575,015)	(638,481)
Wilkin County Ditch						
Sub - 1	11,322	16,969	(5,647)	13	14,311	8,677
8	880,067	607,511	272,556	14	(49,331)	223,239
9	21,148	25,147	(3,999)	14	(43,639)	(47,624)
10	27,055	18,004	9,051	10	8,180	17,241
18	11,027	2,021	9,006	11	(41,584)	(32,567)
20	8,185	3,674	4,511	12	(40,984)	(36,461)
25	5,121	1,135	3,986	7	17,569	21,562
35	4,188	1,187	3,001	7	18,172	21,180
39	2,755	1,039	1,716	8	12,014	13,738
Total Wilkin County Ditches	970,868	676,687	294,181	96	(105,292)	188,985
BdSWD Ditch						
3	1,881	(200)	2,081	2	84,727	86,810
Ending Ditch Cash Fund Balances	\$ 1,923,807	\$ 1,749,355	\$ 174,452	\$ -	\$ (1,110,331)	\$ (935,879)

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2018**

		Receipts				
		Ditch	Inter-	Interest	Miscellaneous	Total
		Assessments	governmental			
Joint County Ditch						
2	\$	6,760	-	2,838	-	9,598
3		21,223	-	172	1,218	22,613
4		352	-	-	-	352
6		15,129	-	(1,941)	-	13,188
7		17,068	-	(8)	-	17,060
11		82,947	-	(7,782)	-	75,165
12		194,118	-	480	-	194,598
14		113,356	-	(18,625)	-	94,731
Total Joint County Ditches		450,953	-	(24,866)	1,218	427,305
Traverse County Ditch						
1		9,614	-	1,117	-	10,731
2		7,180	-	613	-	7,793
4		19,484	-	221	1,538	21,243
7		22,880	-	(328)	-	22,552
8		5,546	-	513	143	6,202
9		2,601	-	336	1,943	4,880
10		6,708	-	(47)	-	6,661
11		30,760	-	(828)	-	29,932
13		3,899	-	(72)	1,831	5,658
15		801	-	32	-	833
16		9,217	-	(1,133)	-	8,084
17		7,725	-	(1,759)	-	5,966
18		4,086	-	(492)	-	3,594
19		739	-	17	-	756
20		3,021	-	(278)	-	2,743
22		3,363	-	(617)	-	2,746
23		14,365	70,000	(1,714)	16,519	99,170
24		1,342	-	135	-	1,477
26		2,906	-	98	-	3,004
27		64,934	-	(1,910)	-	63,024
28		6,228	-	(485)	-	5,743
29		1,690	-	155	-	1,845
30		9,326	-	(1,230)	-	8,096
31		15,904	-	(384)	-	15,520
32		1,963	-	147	-	2,110
33		1,414	-	220	-	1,634
35		3,543	-	297	-	3,840
36		3,247	-	11	-	3,258
37		45,424	-	(19,005)	6,121	32,540
38		2,490	-	253	-	2,743
39		1,103	-	80	-	1,183
40		10,961	-	(207)	1,860	12,614

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
DITCH SPECIAL REVENUE FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Disbursements							
Administrative	Personnel	Legal	Engineering	Repairs and Maintenance	Capital Outlay	Total	
\$ 314	\$ -	\$ -	\$ -	\$ 2,104	\$ 6	\$ 2,424	
1,452	-	30	3,346	21,840	7	26,675	
-	-	749	-	-	-	749	
2,974	476	2,068	87,478	-	7	93,003	
1,335	-	25	885	13,660	7	15,912	
7,755	132	8,279	202,613	1,200	35	220,014	
9,218	-	1,665	21,941	81,333	60	114,217	
2,111	-	5,958	940	3,280	43	12,332	
25,159	608	18,774	317,203	123,417	165	485,326	
294	-	49	237	300	11	891	
1,581	-	24	114	8,827	5	10,551	
229	-	27	1,837	27,160	6	29,259	
6,450	-	32	679	19,848	7	27,016	
1,496	-	21	101	150	5	1,773	
602	-	27	132	1,816	6	2,583	
616	-	24	119	1,734	5	2,498	
908	-	37	180	3,017	8	4,150	
424	-	10	50	825	2	1,311	
49	-	8	39	-	2	98	
264	-	27	129	1,616	6	2,042	
131	-	21	103	-	5	260	
70	-	22	107	-	2	201	
77	-	-	-	-	3	80	
1,275	-	13	64	2,210	3	3,565	
65	-	10	50	-	2	127	
5,883	43	27	33,787	172,425	6	212,171	
3,551	-	16	77	525	3	4,172	
604	-	19	94	1,288	4	2,009	
6,194	-	3,593	6,023	20,397	25	36,232	
407	-	18	3,509	-	4	3,938	
161	-	11	52	-	2	226	
70	-	20	518	-	4	612	
905	-	22	1,076	2,895	5	4,903	
1,053	-	15	75	8,434	3	9,580	
1,604	-	12	56	-	3	1,675	
196	-	26	125	10,962	6	11,315	
3,321	-	32	156	-	7	3,516	
5,204	134	454	14,095	450	32,612	52,949	
457	-	16	80	-	4	557	
49	-	8	39	-	2	98	
249	-	25	693	-	6	973	

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
DITCH SPECIAL REVENUE FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Traverse County Ditch (Continued)	Receipts				
	Ditch Assessments	Inter- governmental	Interest	Miscellaneous	Total
41	\$ 11,802	\$ -	\$ (313)	\$ -	\$ 11,489
42	2,719	-	86	-	2,805
43	13,563	-	(150)	-	13,413
44	6,522	-	26	2,326	8,874
46	2,355	-	119	-	2,474
48	2,992	-	(756)	-	2,236
50	200	-	39	-	239
51	17,704	-	(690)	-	17,014
52	46,589	4,507	469	-	51,565
53	11,896	-	1,020	-	12,916
55	2,701	-	(148)	-	2,553
Total Traverse County Ditches	443,507	74,507	(26,542)	32,281	523,753
Wilkin County Ditch					
Sub - 1	11,203	-	119	-	11,322
8	26,612	852,732	723	-	880,067
9	4,270	-	(1,576)	18,454	21,148
10	5,197	-	312	21,546	27,055
18	12,429	-	(1,402)	-	11,027
20	6,154	-	(1,390)	3,421	8,185
25	4,739	-	382	-	5,121
35	3,799	-	389	-	4,188
39	2,500	-	255	-	2,755
Total Wilkin County Ditches	76,903	852,732	(2,188)	43,421	970,868
BdSWD Ditch					
3	500	-	1,381	-	1,881
Total Receipts and Disbursements	\$ 971,863	\$ 927,239	\$ (52,215)	\$ 76,920	\$ 1,923,807

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
DITCH SPECIAL REVENUE FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Disbursements						
Administrative	Personnel	Legal	Engineering	Repairs and Maintenance	Capital Outlay	Total
\$ 201	\$ -	\$ 42	\$ 202	\$ -	\$ 9	\$ 454
164	-	28	137	-	6	335
2,116	-	28	328	10,242	6	12,720
4,811	-	56	2,672	23,250	12	30,801
201	-	22	105	-	5	333
48	-	7	33	-	2	90
41	-	7	33	-	1	82
754	-	45	217	600	10	1,626
11,339	-	1,895	30,995	35,389	18	79,636
5,703	-	34	3,661	20,313	8	29,719
359	-	9	45	-	2	415
<u>70,176</u>	<u>177</u>	<u>6,839</u>	<u>102,824</u>	<u>374,673</u>	<u>32,853</u>	<u>587,542</u>
1,361	72	1,434	12,202	1,890	10	16,969
10,919	229	18,780	159,018	271,051	147,514	607,511
5,091	-	2,523	17,373	150	10	25,147
1,440	-	2,338	14,218	-	8	18,004
560	-	38	184	1,231	8	2,021
621	-	40	883	2,121	9	3,674
162	-	26	127	814	6	1,135
163	-	25	120	874	5	1,187
134	-	28	136	735	6	1,039
<u>20,451</u>	<u>301</u>	<u>25,232</u>	<u>204,261</u>	<u>278,866</u>	<u>147,576</u>	<u>676,687</u>
135	-	36	177	(550)	2	(200)
<u>\$ 115,921</u>	<u>\$ 1,086</u>	<u>\$ 50,881</u>	<u>\$ 624,465</u>	<u>\$ 776,406</u>	<u>\$ 180,596</u>	<u>\$ 1,749,355</u>

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
SCHEDULE OF CHANGES IN FIDUCIARY CASH POSITION
AGENCY FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Collections for Red River Watershed Management Board				
Property Taxes	<u>\$ -</u>	<u>\$ 1,061,140</u>	<u>\$ 1,046,668</u>	<u>\$ 14,472</u>

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(UNAUDITED)**

Fund	Source	Purpose	Amount
Ditch	State of MN	TCD #37 Grant Final Payment	\$ 13,500
Ditch	Corey Morrow	Culvert Cost Share	7,998
Ditch	Vipond Farms	Culvert Cost Share	1,678
Ditch	MN-DOT	Right of Way Bond	5,000
Construction	Grant County	Riparian Protection Aid	12,896
Construction	Wilkin County	Riparian Protection Aid	16,227
Construction	Traverse County	Riparian Protection Aid	<u>37,424</u>
		Total	<u><u>\$ 94,723</u></u>

**BOIS DE SIOUX WATERSHED DISTRICT
WHEATON, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(UNAUDITED)**

Fund	Vendor	Purpose	Amount
General	AmeriPride Linen & Uniform Services	Rugs	\$ 29
General	April Swenby	Website Updates	150
General	Beyer, Jason W	Meeting Expense	104
General	City of Wheaton	Water, Sewer, Garbage	39
General	City of Wheaton	Water, Sewer, Garbage	35
Ditch	Comstock Construction	WCD#8 Crossing Contract	33,083
General	Culligan Soft Water	Water	15
Ditch	Daily News / News Monitor	Advertising	620
Construction	Daily News / News Monitor	Advertising	161
General	Elan Financial Services	Office Expense	601
Construction	Elan Financial Services	Tile Drainage	85
General	Fergus Falls Daily Journal	Advertising	97
Construction	Fergus Falls Daily Journal	Advertising	889
Ditch	Fergus Falls Daily Journal	Advertising	2,116
Ditch	Fridgen Excavating Inc.	Repairs and Maintenance	117,148
General	Fridgen, Troy J	Meeting Expense	104
General	Fridgen, Troy J	Utility Expense	70
General	Frontier	Telephone Expense	198
General	Gazette Publishing Co.	Advertising	264
Construction	Gazette Publishing Co.	Advertising	341
General	Gillespie, Scott	Meeting Expense	208
Ditch	Herman Pipe Company	Repairs and Maintenance	8,939
General	Jamie Beyer	Administrative Expense	3,100
Construction	John or Shirley Tritz	Gauge Reading	150
General	Larson Oil Company	Fuel	430
Ditch	Loretta Pederson	Viewers Expense	1,748
General	Moore Engineering, Inc.	Engineering Service	1,170
Construction	Moore Engineering, Inc.	Engineering Service	28,693
Ditch	Moore Engineering, Inc.	Engineering Service	11,439
General	Morris & Associates	Accounting Services	940
Construction	Morris & Associates	Accounting Services	778
Ditch	Morris & Associates	Accounting Services	920
General	Ohnstad Twichell, PC	Legal Services	4,557
Construction	Ohnstad Twichell, PC	Legal Services	3,283
Ditch	Ohnstad Twichell, PC	Legal Services	2,070
General	Ottertail Power Company	Electricity	108
Construction	Paul Daly	Gauge Reading	150
General	Runestone Telecom Assoc.	Internet & Email	252
General	Sag's Hardware Hank, Inc.	Office Supplies	34
Construction	Smith Partners, PLLP	Legal Fees	7,366
Construction	The Chokio Review	Advertising Expense	203
General	The Grant County Herald	Advertising Expense	272
Construction	The Grant County Herald	Advertising Expense	264
Ditch	The Grant County Herald	Advertising Expense	854
General	The Ortonville Independent/Northern Star	Advertising Expense	165
Construction	The Ortonville Independent/Northern Star	Advertising Expense	142
Ditch	The Ortonville Independent/Northern Star	Advertising Expense	205
Construction	Traverse Electric	Electricity	38
Construction	Tri County Coop	Fuel	133
General	Valley Office Products, Inc.	Office Supplies	328
Construction	Wagner Company, Inc.	Repairs and Maintenance	158
General	Whaley Excavating, Inc.	Snow Removal	415
General	Xerox Corporation	Copier Lease	409
Total			<u>\$ 236,070</u>

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*



**INDEPENDENT AUDITORS' 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
Bois de Sioux Watershed District
Wheaton, 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 statement of balances arising from cash transactions of the Bois de Sioux Watershed District (the District) as of and for the year ended December 31, 2018, and the related statement of cash receipts, disbursements, and changes in cash fund balances, the statement of fiduciary cash position, and notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2019. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bois de Sioux Watershed District's internal control over financial reporting (internal control) to determine 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 Bois de Sioux Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bois de Sioux 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.

Internal Control Over Financial Reporting (Continued)

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001 to 2018-002 to be material weaknesses.

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 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bois de Sioux Watershed 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 determination of financial statement amounts. 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*.

The District's Response to Findings

Bois de Sioux Watershed District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bois de Sioux Watershed District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
March 12, 2019

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Bois de Sioux Watershed District
Wheaton, 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 accompanying statement of balances arising from cash transactions of each governmental fund of the Bois de Sioux Watershed District (the District), as of and for the year ended December 31, 2018 and the related statement of cash receipts, disbursements and changes in cash fund balances of each governmental fund, the statement of fiduciary cash position, and the related notes to the financial statements and have issued our report thereon dated March 12, 2019. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories, except that we did not test for compliance with the provisions of tax increment financing because this area did not apply.

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 *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
March 12, 2019

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**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

Internal Control Findings:

FINDING: 2018-001 Financial Statement Preparation

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with the requirements of the Minnesota Office of the State Auditor.

Condition: The District does not have internal control procedures in place over annual financial reporting, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Possible Effect: The lack of an internal controls over annual financial reporting may result in misstatement of the financial statements.

Cause: The District relies on the audit firm to prepare certain adjustments, annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual adjustments, financial statements and related footnote disclosures.

Recommendation: The District should continue to evaluate their internal staff, expertise, and assigned duties to determine if an internal control policy over the annual financial reporting is beneficial.

Management's Response: The District will continue to rely on the auditor for assistance with the financial statements and will continue to review and approve them before issuance.

FINDING: 2018-002 Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: The District does not have adequate segregation of accounting duties.

Possible Effect: The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause: There is a limited number of staff in the business office.

Recommendation: We recommend that the District continue to segregate duties as best it can within the limits of what the District considers to be cost beneficial. We recommend the District consider having bank statements sent directly from the bank to a board member as well as the District office. Board members should sign off on the bank statement and reconciliation indicating their review and approval. Finally, vendor invoices should be defaced or marked as paid to prevent duplicate payment.

Management's Response: The District will continue to look for areas to improve segregation of duties.

**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2018**

Internal Control Findings (Continued):

FINDING: 2018-003 Internal Controls over Disbursements

Criteria: The District should have internal controls in place to prevent and detect the duplicate payment of expenses and ensure disbursements are coded to the appropriate general ledger account.

Condition: For 1 of 25 disbursements tested, the account coding was deemed improper. During review of monthly credit card statements we noted a payment totaling \$72.68 that was paid via the credit card and also reimbursed on an employee expense report.

Possible Effect: Lack of proper review procedures over disbursements increases the risk of disbursements being charged to funds with restrictions on the use of funding or disbursements being duplicated.

Cause: Lack of personnel does not allow for adequate review of disbursements.

Recommendation: We recommend the District implement procedures to ensure that all transactions are reviewed. Documentation should be retained to allow the reviewer to determine the business nature of the disbursement. The review and supporting documentation should be retained in accordance with approved record retention policies. Invoices should be defaced upon payment to avoid duplicate payments.

Management's Response: Management agrees and will implement procedures to ensure disbursement codes are reviewed.