

TWO RIVERS WATERSHED DISTRICT

IN ROSEAU, KITTSOON, & MARSHALL COUNTIES



2013 ANNUAL REPORT

**410 South 5th Street, Suite 112, Kittson County Courthouse,
Hallock, MN 56728**

INTRODUCTION

The Board of Managers of the Two Rivers Watershed District would like to present this 2013 Annual Report. It contains information about the District's projects, programs, and initiatives through the year.

2013 was another year that presented challenges and issues with regard to water management. The year was characterized as very wet during the spring and first half of summer, followed by a dry period through freeze up. Data provided within this report shows these trends.

The District was able to focus on one major construction project and several maintenance projects in 2013. Several of the ditches under the District's management were restored to their original grade and cross section, allowing for agricultural drainage. Several other systems were surveyed to determine the amounts of accumulated sediment. The Springbrook PL566 Project #10 was constructed as the latest flood control project of the District.

Water quality is coming to the forefront as well, with the MN Pollution Control Agency implementing 'watershed restoration and protection strategies', as governed under the federal clean water act. All waters within the U.S.A. will be monitored, assessed, and strategies implemented to restore impaired waters. The TRWD is involved with two of these studies.

As in the past, District activities for the coming year(s) will continue to focus on drainage, flood control, water quality, and surface water management in general. The District is governed by Minnesota Statutes chapters 103D (Watershed Law) and 103E (The Drainage Code).

The mission statement of the District is "to carry out all facets of the Minnesota Watershed Act as set forth in Minnesota Statute. It is the District's further mission to carry forth all activities and powers given under the Minnesota Drainage Code. In carrying out its mission, the District will encourage the wise use of the water natural resources within its boundaries and promote the general health and welfare of the citizens residing there".

The general purpose of the District is "to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of the natural resources".

The District looks forward to another busy year in 2014 regarding projects, programs, and initiatives. We welcome input from all citizens and would encourage you to visit or contact the District office or any members of the Board of Managers with any questions or concerns that you may have.

2013 LIST OF MANAGERS

Roger Anderson, **President**

1561 110th Street
Drayton, ND 58225
(218) 455-6269
Term Expires: October, 2015

Jim Kukowski

17485 County Road 6
Strathcona, MN 56759
(218) 781-2478
Term Expires: October, 2014

Allen Brazier

20463 230th St
Greenbush, MN 56726
(218) 782-2456
Term Expires: October 2015

Darrel Johnson,

2224 190th Ave
Hallock, MN 56728
(218) 843-2496
Term Expires: October, 2014

Daryl Klegstad

4151 210th Street
Halma, Mn 56729
(218) 265-2073
Term Expires: October 2016
*Appointed to replace O'Neil Larson on
October 31, 2013*

Jon Vold, **Secretary**

2418 310th Street
Hallock, MN 56728
(218) 843-2556
Term Expires: October 2015

O'Neil Larson, **Treasurer**

4207 180th St,
Halma, MN 56729
(218) 265-2613
Term Expires: October 2013

Paul Olsonawski, **Vice President**

3762 285th Ave
Lancaster, MN 56735
(218) 762-1911
Term Expires: October 2013

Office Staff

Dan Money
District Administrator
daniel.money@mn.nacdnet.net

Matt Thompson
District Technician
matthew.thompson@mn.nacdnet.net

Office Information:

Two Rivers Watershed District
410 South 5th Street, Suite 112
Hallock, MN 56728

Location: Lower Level, Kittson County Courthouse
Office Hours: 8:00 am – 4:30 pm, M-F

Phone (218) 843-3333
Cellular (218) 689-2023

Fax (218) 843-2020
Internet: www.rrwmb.org/html/watersheds.cfm?ID=7

Office Administration

OFFICE STAFF

The District employs 2 full time staff persons. Their titles and duties are listed below.

- *District Administrator:* The Administrator carries out all administrative and technical duties as determined by the Board of Managers. Specific duties include long range plans, coordinating meetings, financial management, coordinating projects, processing permit applications, handling requests from the public, water quality sampling, flow monitoring, culvert inventory, survey work, managing a geographic information system, data analysis, and performing investigations relating to District projects.
- *District Technician:* The District Technician is responsible for field work relative to District programs, ditches, projects, and inventories. This includes survey work, stream flow monitoring, culvert inventory, reporting, permit review, modeling, geographic information systems, data analysis, and all other technical duties.

CONSULTANTS

Engineering for 2013 was performed both by Widseth, Smith, & Nolting – Crookston, Minnesota and Houston Engineering – Fargo, ND. Other consulting engineers are used on an as needed basis at the discretion of the Board of Managers.

Legal services are provided by the law firm of Brink, Sobolik, Severson, Malm, & Albrecht, P.A. of Hallock.

Payroll services are provided by the accounting firm of Dahl, Hatton, Muir, & Reese, Ltd. of Hallock.

Auditing services are provided by the firm of Drees, Risky & Vallager, Ltd. of Crookston.

MEETINGS

The Board of Managers meets the first Wednesday of each month in the District office in Hallock, MN beginning at 8:00 a.m. Special meetings are held from time to time at the discretion of the Board. Advisory meetings are held at least once per year as required by law and otherwise as determined by the Board. All meetings are properly posted as required by law.

ADVISORY COMMITTEE

The District Technical and Citizen's Advisory Committees are made up of concerned citizens, appointed officials, and representatives of governmental agencies that in some way work with or affect the water resources of the District. These committees meet at least once per year to provide input and guidance to the Board of Managers regarding District programs and activities. The Advisory Committee members for the year 2012 are listed below.

Citizen's Advisory Committee

Name	Location	Representing		Name	Location	Representing
Keith Cummins	Karlstad	Rural		Luke Novacek	Greenbush	Rural
Sue Dufalt	Karlstad	City		Jim Pederson	Karlstad	Township
Don Craigmile	Hallock	Rural		Bob Boychuck	Hallock	Rural
Rodney Sikorski	Lancaster	Rural		Vern Langaas	Karlstad	Rural
Mike Jensen	Drayton	Township		Leon Olson	Lancaster	Kittson County
Mark Foldesi	Greenbush	Roseau Co		Todd Truedson	Kennedy	City
Barb O'Hara	Kittson Co.	Kittson EM		Mike Docken	Hallock	City
Heather Peterson	Hallock	Rural/SWCD		Terry Osowski	Hallock	Rural
Harold Moose	Donaldson	Township		Brach Svoboda	Greenbush	Rural
Ed Walsh	Badger	Rural		John Gaukerud	Badger	Rural
Shayne Isane	Greenbush	Rural		Ron Jacobson	Greenbush	Rural
Mayor	Greenbush	City		Mayor	Badger	City

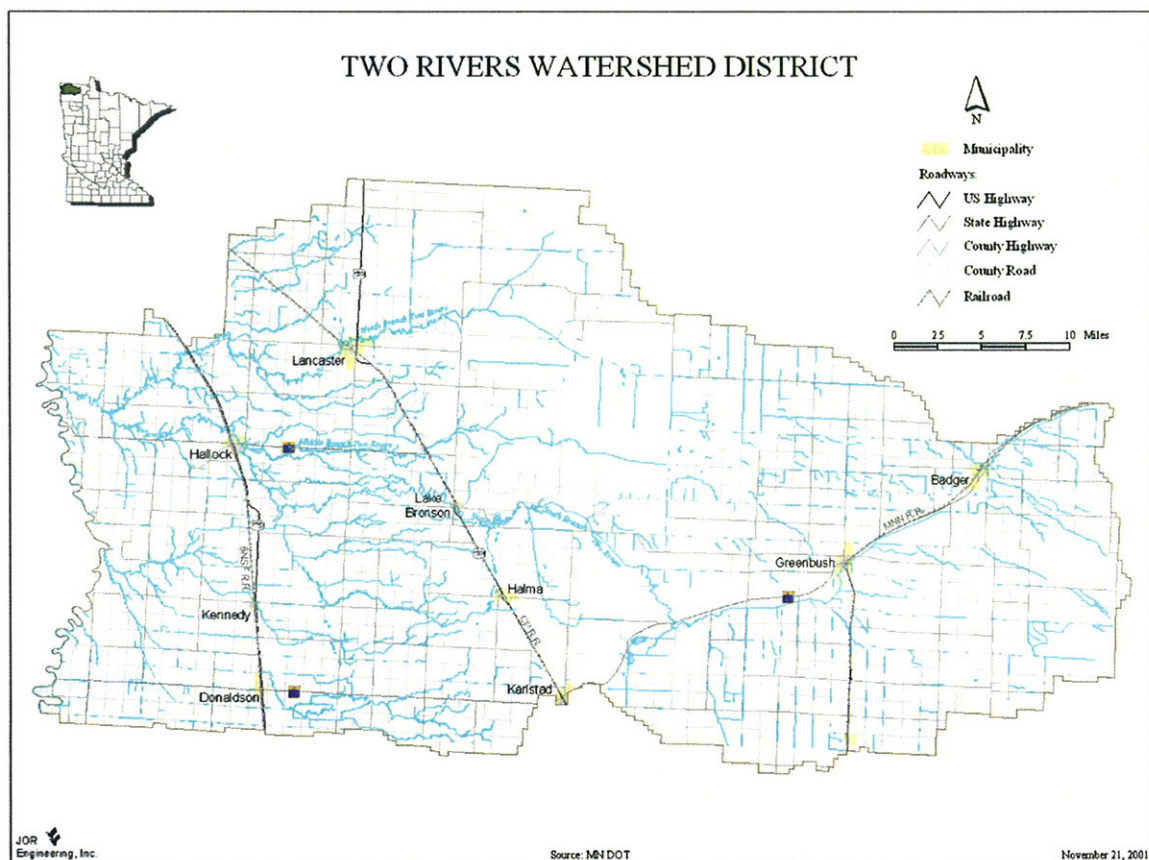
Technical Advisory Committee

Name	Location	Representing		Name	Location	Representing
Kelly Bengtson	Hallock	Kittson Hwy Dept		Brian Kettring	Roseau	Roseau Hwy Dept
Darren Carlson	Hallock	Kittson SWCD		open	Karlstad	TNC
Laurie Fairchild	Middle River	US Fish & Wildlife Svc		Jim Schwab	Hallock	NRCS
Cary Hernandez	Detroit Lakes	MN Pollution Control Agency		Brian Dwight	Bemidji	BWSR
Dennis Topp	Baudette	DNR Fisheries		Joel Huener	Middle River	DNR Wildlife
Stephanie Klamm	Thief River Falls	DNR Waters		Blake Carlson	Crookston	Widseth, Smith, & Nolting
Janine Lovold	Roseau	Roseau SWCD		Danni Halvorson	Viking	International Water Institute

BACKGROUND INFORMATION

The Two River Watershed District was established by order of the Minnesota Water Resources Board on October 30, 1957. It was the second watershed district to be organized within the State of Minnesota, and the first to write and approve an overall plan. The District is located in much of Kittson County, the western 1/3 of Roseau County, and extreme northwestern Marshall County, all in northwest Minnesota. The District operates under Minnesota Statutes 103D (the Watershed Law) and 103E (the Drainage Code).

The land area of the District encompasses 1,454 square miles. The District stretches 65 miles from the Red River on the western boundary to the eastern boundary just west of the City of Roseau. At its widest north-south point, the District stretches 33 miles. It is bordered to the north-west by the Joe River Watershed District; the north by the Province of Manitoba, Canada; the east by the Roseau River Watershed District; the south by the Middle-Snake-Tamarac Rivers Watershed District; and to the west by the Red River of the North, which is also the boundary with North Dakota.



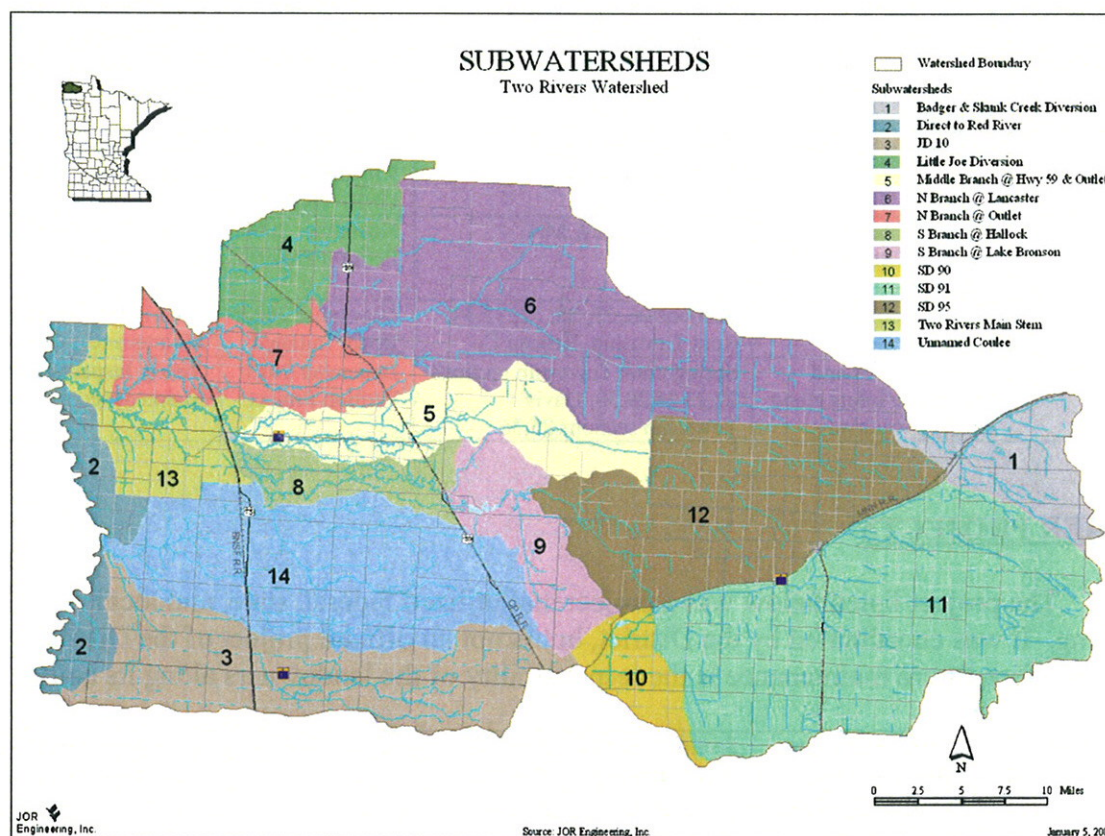
The Two Rivers actually consists of three branches – the North, Middle and South Branch. The South Branch arises southeast of Badger, Minnesota and flows in a westerly direction along the south side of Badger and through the cities of Greenbush, Lake Bronson, and Hallock. The Middle Branch drainage area begins east of the Kittson & Roseau County line and travels through the central portion of Kittson County, outletting into the South Branch just east of the city of Hallock. The North Branch drainage area begins in northwestern Roseau County, travels through Lancaster and Northcote, and

joins the South Branch to form the main stem three miles east of where it outlets into the Red River.

The southwest portion of the District is a 360 square mile stand alone drainage system that was added to the District in the mid 1980's. This drainage system is comprised of a series of coulees which outlet into legal drainage systems. These legal drainage systems in turn outlet into a series of coulee systems, and in turn they outlet into the Red River. This drainage system flows into the Red River at a point 10 miles south of the outlet of the Two Rivers.

The economy of the District is largely driven by agriculture. Of the approximately 931,150 acres of land in the District, 67% is pasture and crop land, 14% forested, 13% grassland, 5% wetland, and 1% roads, ditches, and urban. The primary crops grown are small grains, soy beans, sugar beets, and other crops such as seed potatoes, corn, canola and sunflowers.

Cities within the District include Badger, Greenbush, Strathcona, Karlstad, Halma, Lake Bronson, Lancaster, Donaldson, Kennedy, and Hallock. In addition, the unincorporated villages of Fox, Haug, Leo, Orleans, Pelan, Northcote, and Robbin are within the area of the District. Industry in the area is limited. The mining of gravel is prevalent in the beach ridge areas of glacial Lake Agassiz. A few manufacturing and assembly companies exist in the area, including a wood stove company, metal works, canola processing plant, and a vehicle track company. Also, a bus assembly plant is located in Pembina, North Dakota, just across the Red River. Area population trends show a steady decline.



PROJECT STATUS

EXISTING AND COMPLETED PROJECTS

The following are established and proposed projects of the Two Rivers Watershed District. They were built under Minnesota Statute 103D for various purposes including flood control, erosion control, water quality benefits, wildlife enhancement, and drainage for cropland. Each is inspected annually and operated and maintained by the District.

Detailed information regarding each project is on file at the TRWD office. Interested individuals can obtain copies of all project information upon request.

<i>Project Name</i>	<i>Description</i>	<i>Location</i>	<i>Established</i>	<i>Status</i>
Middle Branch Project #1	9.62 mile channel improvement	Thompson & Hazelton Townships, Kittson Co	1968; PL 566	Yearly Inspection & Maintenance
North Branch Project #2	11.13 mile channel improvement	Richardville, St. Joseph, Granville, & Poppleton Townships, Kittson Co.	1969; PL 566	Yearly Inspection & Maintenance
Soler Project #4	5 mile extension of State Ditch #72	Soler & Moose Townships, Roseau Co.	1979; Petition Project	Yearly Inspection & Maintenance
Dewey Project #5	1.8 mile lateral to State Ditch #91	Sections 26 & 35 Dewey Township, Roseau Co.	1980; Petition Project	Yearly Inspection & Maintenance
Nereson Impound Project	Flood Control Impoundment	Sections 27-28 Nereson Township, Roseau Co	1981; Board Initiated	Yearly Inspection & Maintenance
Nereson Modification Project	Flood Control Impoundment	Sections 33-34 Nereson Township, Roseau Co	2005; Board Initiated	Yearly Inspection & Maintenance
Dewey 5 Improvement Project	Improvement of Dewey #5 Ditch System	Sections 26 & 35 Dewey Township, Roseau Co	2002; Petition Project	Yearly Inspection & Maintenance
Horseshoe Lake Project	Drawdown Structure	Section 14, St. Joseph Township, Kittson Co	2006; Jointly by Kittson Co – DNR- TRWD	Yearly Inspection & Maintenance; Gate Operation
Kennedy Project #6	1.5 mile ditch to connect Kittson CD4 & CD27	City of Kennedy, MN	November 2009; Petition Project	Yearly Inspection & Maintenance
Ross Project #7	Flood Control Impoundment	Sections 26, 27, 28, 32, 33,34, Ross Township, Roseau Co	November 2007; Board Initiated	Yearly Inspection & Maintenance; Gate Operation
Springbrook PL566 Project #10	Set back dikes and Side water inlets along existing waterway	Springbrook Township sections 22,23,28,29,30; Davis Township sections 25,36	December 2013; Petition Project	Yearly Inspection & Maintenance

OTHER PROJECTS

The project listed below was a project that utilized federal, state, and local funding. It was coordinated by the District, but is not an official project of the District and therefore future maintenance is the responsibility of the landowners along its course.

Springbrook / CR 61	3.75 mile meandering channel & set back dikes – flood control	Sections 3,5,6 Springbrook & Sect. 1 Davis Twp, Kittson Co	August, 2008	Maintenance responsibility of landowners
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PROJECTS NOT CONSTRUCTED

Stokes #3	Offtake drainage ditch	Stokes Twp – 4 miles long	Dropped 1970's	Local opposition
Karlstad Project	Impoundment	Deerwood Twp sect. 8,9,16,17	Dropped 1988	Local opposition
Nereson #8	Impoundment	Nereson Twp, sect.2,3,11	Dropped 2007	Local opposition
Svea #9	Drainage Ditch	Svea Twp, sect. 1 - 12	Dropped 2006	High cost, inadequate outlet
Polonia – Barto	Drainage Ditch	12 miles sections 1-12 in 2 townships	Dropped in favor of Ross Impoundment	Inadequate outlet

POTENTIAL PROJECTS / PROJECTS UNDER INVESTIGATION

Big Swamp:

A "Project Work Team" was assembled in 2008 to discuss potential flood control projects and activities in the vicinity of Juneberry, Polonia & Barto Townships in Roseau County and Peatland and Klondike Townships in Kittson County. The State Ditch 72 and State Ditch 95 systems have become overburdened with high and excessive water flows from upstream areas, and do not seem to have adequate capacity. In addition, the outlet for this water is limited. The PWT was appointed by the Board of Managers to look into the problems and identify a range of alternatives that could be implemented to help alleviate the flooding conditions.

The recommendation of this project team was that impoundments should be investigated in the upstream areas of Badger Creek. A secondary recommendation was that if a satisfactory upstream impoundment could not be located, then a location at a downstream area should be investigated. It was noted that around 6,000 to 8,000 acre feet should be the target for storing water for the Badger Creek area. The Board of Managers is currently looking for a suitable site for this project.

In 2012 it became apparent that a feasible upstream impoundment site may not be found, and the Board of Managers began to look at 3 sites in the downstream area that the land is currently owned by the District. These areas are listed below, and studies will be undertaken for project design at each site.

Klondike 1	Impoundment	Klondike Twp sect 27	Tabled 1991	
Klondike 2	Impoundment	Klondike Twp sect 1-2-11-12	Tabled 1991	
Quick	Impoundment	Polonia Twp sect 30	Tabled 1991	Activated under WRP 2012

The Quick site has been enrolled in the federal Wetland Reserve Program for a 30 year easement, and the Natural Resources Conservation Service is currently working with the TRWD to plan and implement a storage project of between 2,000 and 5,000 acre feet.

The TRWD is proceeding with plans for both the Klondike 1 and Klondike 2 sites, and has referred them to an impoundment committee for further research and development.

DITCH SYSTEMS

In addition to the above projects, the District operates and maintains several legal ditch systems (See map & table below), which have either been turned over by the County Boards of the County in which each ditch is located or they have been petitioned to the Watershed District by landowners under Minnesota Statute 103E.

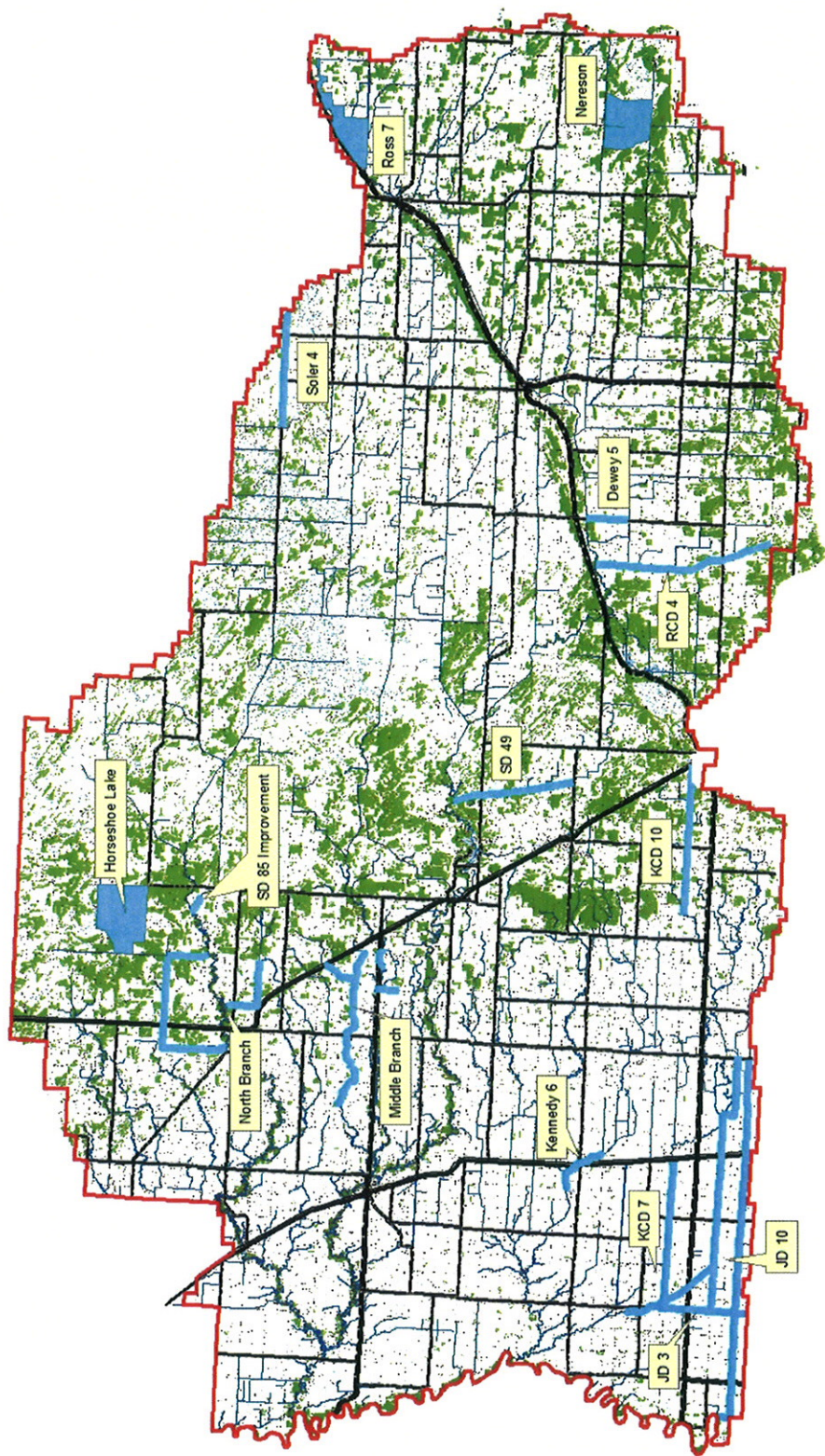
The table below lists both the ditch systems and the projects that the District administers.

Ditches	Length (Miles)	Township(s); County	Fund Balance 12-31-13	2014 Levy
State Ditch #49	5.25	Norway; Kittson Co	\$ 19,976	\$ 2,000
State Ditch #85 Improvement	0.75	Poppleton; Kittson Co	\$ 5,904	\$ 6,000
Judicial Ditch #3	5.5	Teien; Kittson Co	\$ (5,080)	\$17,000
Judicial Ditch #10	31	Davis, Svea, Teien, Kittson Co	\$ (33,873)	\$32,000
Kittson CD #7	6.5	Svea; Kittson Co	\$ (8,990)	\$15,000
Kittson CD #10	7.0	Deerwood; Kittson Co	\$ 12,809	\$ 5,000
Roseau CD #4	7.5	Lind, Dewey; Roseau Co	\$ 231	\$10,000
Springbrook / PL566	9.0	Springbrook Township, Kittson Co	\$ (242,298)	Drainage lien \$200,000
Projects				
Middle Branch	9.6	Hazelton, Thompson; Kittson Co.	\$ 12,927	\$ 10,000
North Branch	11.1	Granville, Hampden; Kittson Co.	\$ 13,973	\$ 10,000
Soler 4	5.0	Soler; Roseau Co	\$ 20,928	\$ 0
Dewey 5	1.8	Dewey; Roseau Co	\$ 1,601	drainage lien
Kennedy 6	1.5	Tegner, Skane; Kittson Co.	\$ (109,961)	drainage lien
Ross 7	impoundment	Ross; Roseau Co	\$ 18,432	N/A

These systems are inspected annually and maintenance activities are undertaken if deemed necessary. These activities range from beaver dam removal and beaver trapping to spraying of cattail and other nuisance vegetation to removal of silt and sediment to repair of sloughed side slopes or eroded culverts. Detailed maintenance reports are kept and filed each year in the ditch file.

The District as the ditch authority for these ditches is also responsible for maintaining a ditch fund to pay for maintenance expenses. Each year the District assesses the needs of each ditch and a tax is levied against the "benefited area" of each ditch, if necessary and if the funding is needed. Each year the District certifies this levy to the County Auditor of the County where the ditch is located.

A map showing the locations of each ditch system and each project of the Two Rivers Watershed District is shown on the following page.



Two Rivers Watershed District
Ditch Systems and Flood Control Projects



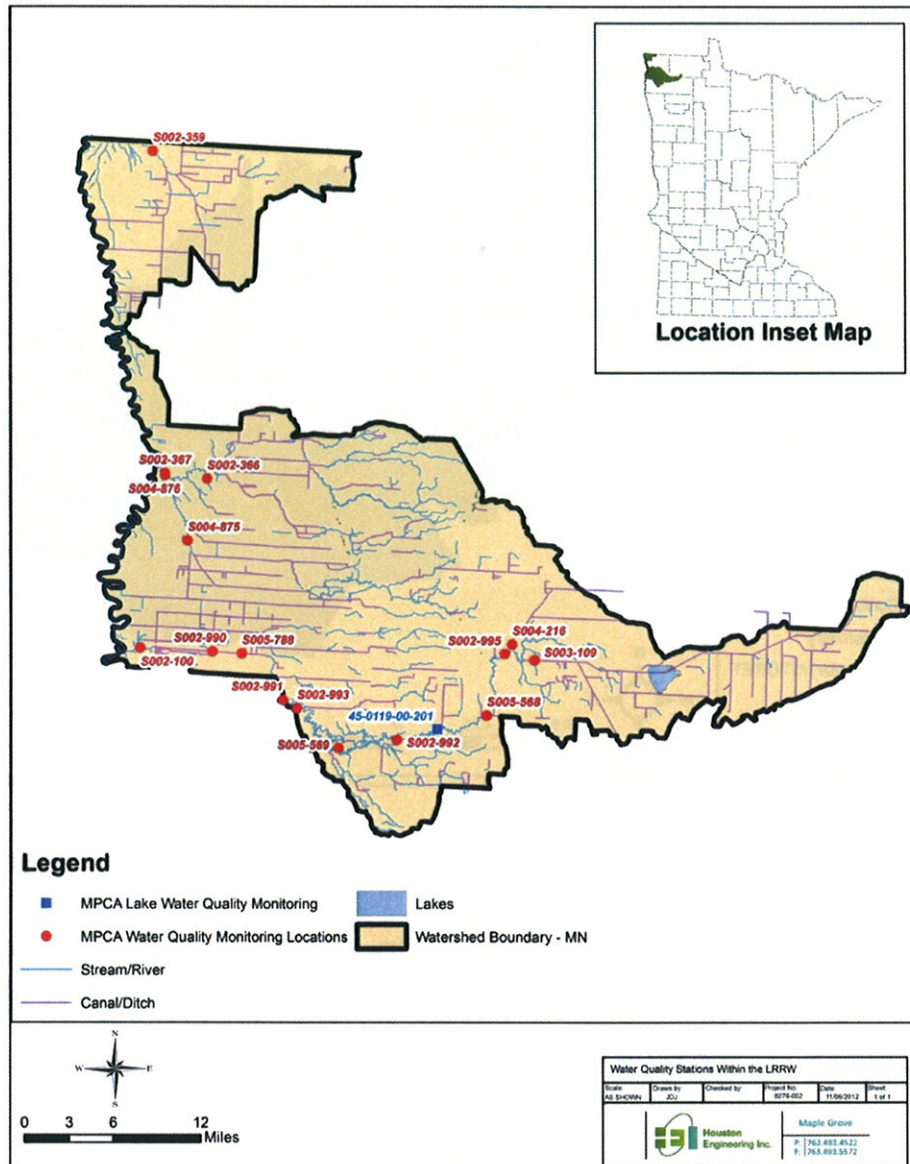
PROGRAM STATUS

WATER QUALITY – “WRAPS”

Lower Red River WRAP

The District partnered with the Joe River Watershed District and the Middle Snake Tamarac Watershed District to undertake the “Lower Red River Watershed Restoration and Protection Project”. This encompasses all of the Joe River, the Tamarac River watershed, and an unnamed coulee within the Two Rivers Watershed District (see map below).

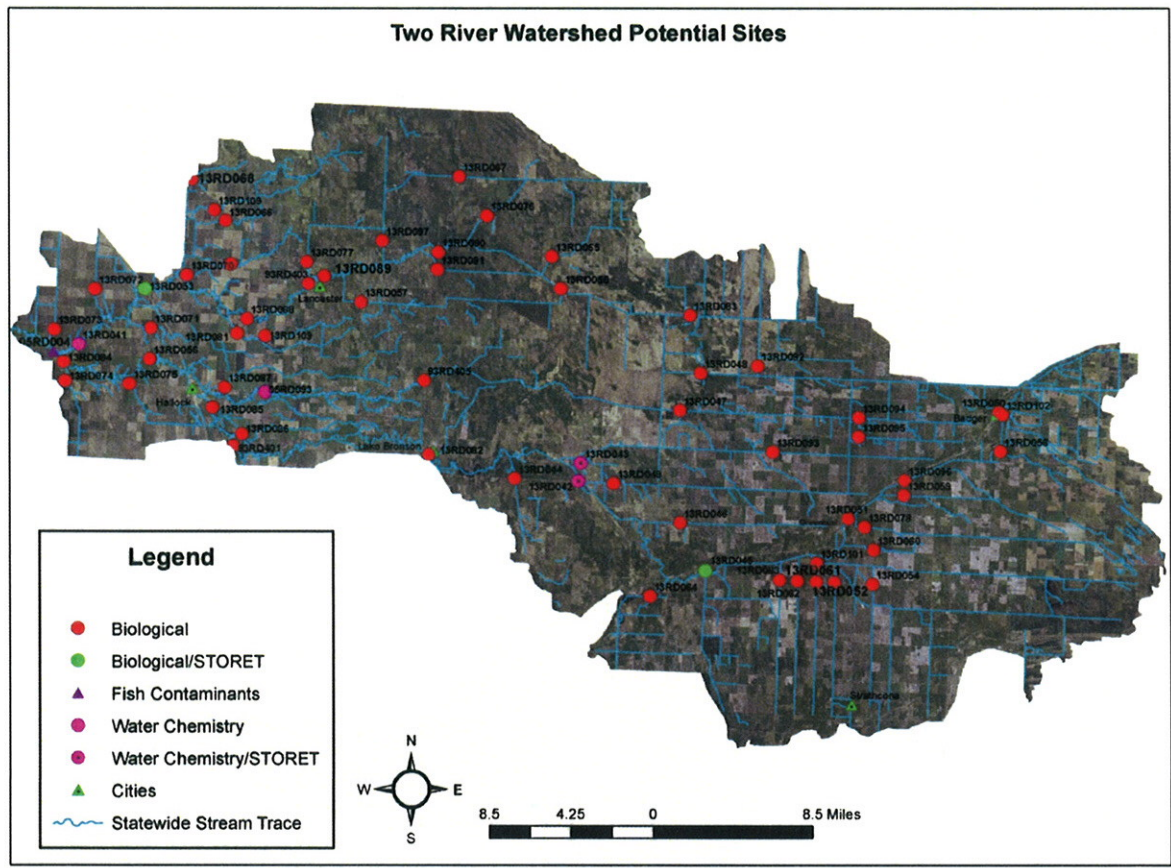
Together the 3 watershed districts receive grant funding from the MN Pollution Control Agency. The project is aimed first at researching all of the water quality data available for a given watercourse, then if necessary additional water quality and stream flow data is collected to produce a ‘conditions report’ to get a full picture of the quality of the resource. The data is then analyzed to determine if any portions of the sub-watershed are impaired or polluted in any way. Then, if there are impairments, the project will do further investigation and research to determine the source of impairment and how best to address the problems, if possible. The process will take up to four years to complete.



The WRAP is in its second year. A conditions report was written, however it was apparent that there was not enough data available. Therefore, additional data was gathered in 2013 and will need to be further monitored in 2014. Once enough data is available the conditions report will be modified and the WRAP process will continue. In addition geomorphology will be studied and the next steps will also include a stressor identification process.

Two Rivers WRAP

This WRAP was in its first year in 2013, and as such intensive monitoring is taking place for everything from water chemistry to fish assessments to macro invertebrates. The information gathered will be used to prepare a conditions report and identify impairments that may exist. Future work for 2014 will be continued monitoring, preparation of computer models, identification of stressors, and identification of potential practices to reduce pollution sources.



Grants

Drainage Water Management – The TRWD received a grant from the MN Board of Water & Soil Resources to assist landowners who are doing tile drainage with alternatives to deal with the outflows. Using this grant money tile outlets can be equipped with gates to manage the outflows, reduce the downstream nutrient loading to

receiving waters, manage subsurface water levels, and provide benefits to ag fields. The grant is a 50% cost share for approved practices.

Buffer Strips (Lake Bronson Upstream) – The TRWD is working with the Kittson Soil & Water Conservation District to address water quality concerns on Lake Bronson. The lake is subject to sediment and nutrient loading from a large upstream drainage area. Several legal drainage ditches are tributary to the lake, some are buffered and some are not. The SWCD received a grant from the BWSR to identify and buffer drainage ditches upstream of Lake Bronson to help reduce the sediment load. The TRWD is contributing funding to the grant.

PERMITS

The Rules of the Two Rivers Watershed District were enacted in 1981, and under these Rules, a permit from the District is required for the following activities:

- Any sanitary sewer system which discharges to surface water, storm sewer, or other major utility project which affects surface water within the district.
- Any street, road, or highway construction project which by means of its construction has any effect on the quality or quantity of water runoff.
- Any construction or alteration of any drain tile or drainage ditch that drains an area in excess of 20 acres.
- Any works which include draining, filling, excavating, or dredging of any type 3, 4, 5, or 8 wetland as defined by the U.S. Fish & Wildlife Service Circular 39.
- Any construction or alteration of any bridge, dike, culvert, or drain across any drainageway, lake, wetland, or other water body.
- Any artificial or mechanical transfer of water from a water source including but not limited to gravel pits, ponds, rivers, wetlands, and other reservoirs consistent with the general purposes of the District.
- Any artificial drainageway cut across a subwatershed to thereby deliver water into another subwatershed.
- Any drainage of water by any artificial means into any legal drainage system from any land not assessed to that drainage system.
- Construction, alteration, or removal of any dike or reservoir.

Eighty Four permit applications were processed during 2012.

2013 DISTRICT ACTIVITIES

BOARD MEETINGS

Twelve regular monthly board meetings were held during the course of 2013, each on the first Wednesday of each month. The Annual Meeting was held on January 2, 2013. One special meeting and one public hearing of the Board were held during the year.

NON-DISTRICT MEETINGS

The District Managers and District staff attended several non-District meetings during the course of 2013 that were related to information and ongoing education. Twelve meetings of the Red River Watershed Management Board were attended regularly, various committees of the RRWMB, the Minnesota Association of Watershed District's Annual Meeting, NRCS – MN State Technical Committee meetings, and other meetings as needed.

TRAINING

Managers and staff attended, as necessary, various training sessions and meetings that were pertinent to the operation of the District.

ADMINISTRATIVE ACTIONS

The District employed a full time District Administrator and a full time Technician during 2013.

Excerpts From 2013 District Newsletter

Larson Retires From Watershed District Board of Managers

Long – time Two Rivers Watershed District Manager O'Neil Larson has retired from the Board of Managers. O'Neil began his term on the Board on July 2, 2002 and retired from the Board on October 31, 2013. He represented the south-eastern area of Kittson County, including but not limited to portions of the townships of Arveson, Deerwood, Springbrook, Jupiter, Norway, and Pelan.

During his term on the Board, Larson saw many Watershed District projects



constructed. These included the Kennedy #6 project, the Ross #7 Impoundment, the Horseshoe Lake dam modification, numerous ditch maintenance and repair projects, and the Springbrook PL566 Project #10. He was involved in the review and approval of hundreds of permit applications to the District, and served as the Treasurer of the Board for four years.

Managers Paul Olsonawski, Allen Brazier, Roger Anderson, O'Neil Larson, & Jon Vold

Many programs were also accomplished under Larson's watch. These include a flow monitoring program where the District measures how much water is flowing within various waterways. This information is used to predict flood levels each spring. Also helpful in predicting floods is the District's annual snow survey. In addition, the District has been involved with water quality monitoring for many years. As a member of the Board of Managers, Larson had a hand in shaping and implementing these programs and projects.

The Board of Managers wishes to thank O'Neil for his years of service and his contributions to the accomplishments of the Two Rivers Watershed District!

Springbrook Project #10 Near Completion ***-Last Project in the Country built under PL566 Program-***

The latest flood control project of the Two Rivers Watershed District is very near completion. The "Springbrook PL566 Project #10" was substantially



completed during the summer construction season of 2013. The project is located in sections 23, 24, 28, 29 & 30 of Springbrook Township and sections 25 and 36 of Davis Township, all in Kittson County Minnesota. Project components consist of the construction of over 12 miles of set back dikes,

installation of more than 26 side water inlet culverts, numerous diversion ditches, three rock drop structures to control erosion, and over 400 acres of grass buffer strip establishment.

The project was built utilizing the federal PL566 program through the USDA Natural Resources Conservation Service. The Two Rivers Watershed District is the local sponsor of the project and will be responsible for the long term inspection, operation, and maintenance. The PL566 program funded the \$1.3



million project. R.J. Zavoral and Sons Contruction was the contractor on the project.

A petition for this project was submitted by local landowners to the TRWD. They identified a flooding problem along an existing coulee, whereby the coulee could not handle high flows of runoff that were entering the channel. This caused water to break out and flow over land, causing erosion, sedimentation, washouts of roads and culverts, and losses to cropland and public infrastructure. To prevent break out flooding, levees were constructed on either side of the stream, and set back away from the stream between 100 feet and 300 feet. This will allow the water to enter the stream, but as floodwaters rise and begin to break out of the channel, they will be contained between the levees, and prevented from flowing overland and washing out infrastructure. The levies are designed to contain water for up to a 10 year flood event. If a larger event occurs, the levees will overtop in designated areas.

Sadly, the federal program that funded this project has been eliminated by congress, and this project will be the very last one built using the PL566 program in the entire United States. There have been three other projects constructed under this program in Kittson County (Two within the Two Rivers and one within the Joe River – all built in the 1960's), and one in Marshall County, most recently the flood diversion and upstream impoundment project that protects the City of Warren from flooding.

Pesky Beavers!

The Two Rivers Watershed District pays a \$40 bounty on beavers that are taken from legal ditch systems under the jurisdiction of the District. During the course of 2013, the District paid out \$540 on 14 beavers that were turned in. In addition, 15 beaver dams were removed using a backhoe to clean out the obstructions on the ditch systems. If you know of beaver activity on any systems managed by the District, please call the office at 218-843-3333.

2013 Water Year Summary

2012 PRECIPITATION

The year was characterized as being very dry with below normal rainfall and streamflows for most of the year. The following maps, tables, and associated graphics show the snow conditions, snow water equivalents, selected rainfall amounts, and departures from normal conditions.

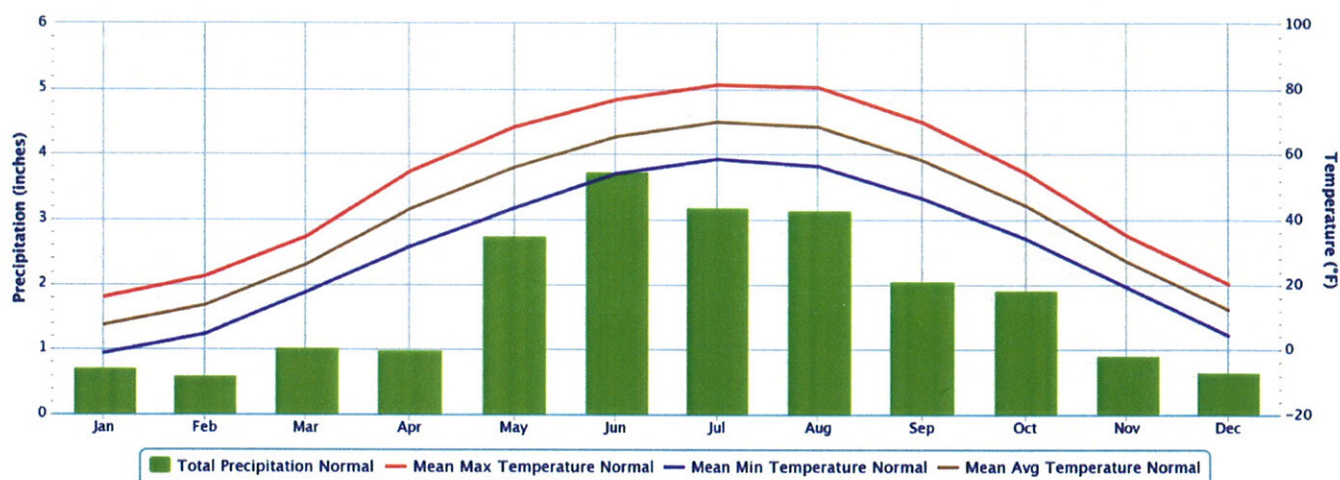
Kittson County Rainfall 2013 – Growing Season – Selected sites

Township	April	May	June	July	Aug	Sept	Oct	Total
Springbrook	1.45	4.63	1.17	2.43	1.15	2.09	NR	12.92
Percy	NR	4.54	2.62	3.55	2.55	2.20	1.44	16.9
Granville	1.72	6.69	3.50	3.41	3.02	1.42	1.08	20.84
Tegner	1.63	4.65	2.86	1.90	1.73	1.25	1.65	15.67
Richardville	1.25	4.44	3.16	3.77	4.33	1.29	0.77	19.01
Hallock	1.14	4.13	2.02	3.74	3.37	1.40	0.88	16.68

Source – Kittson Soil & Water Conservation District

University of North Dakota / NWS Grand Forks 1981 – 2010 Climate

Monthly Climate Normals (1981–2010) – GRAND FORKS UNIV, ND



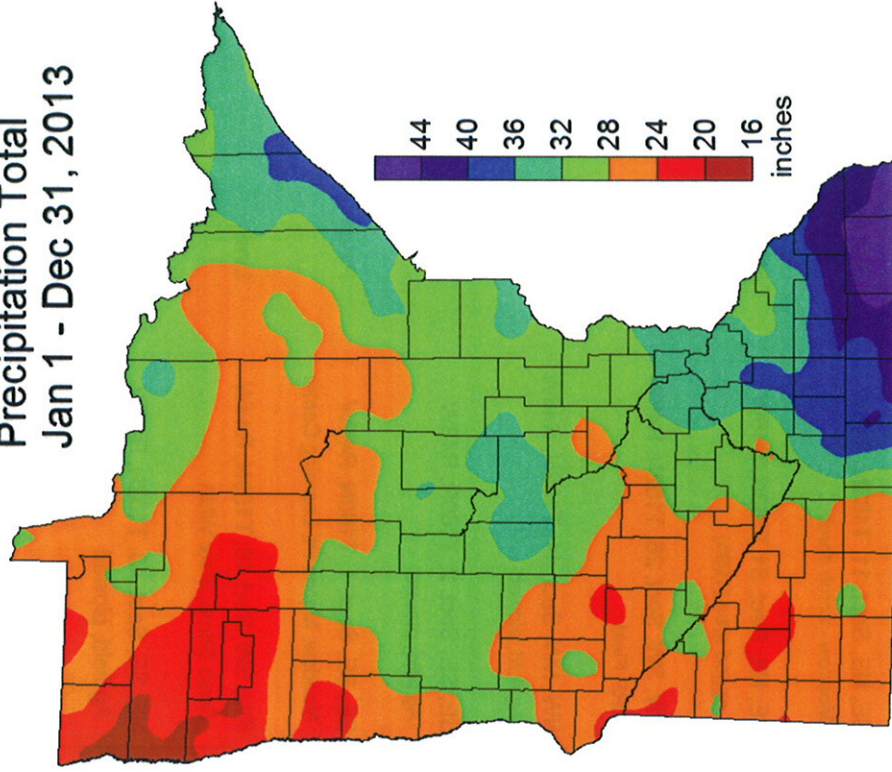
Powered by ACIS

University of North Dakota / NWS Monthly Means

Month	Total Precipitation	Mean Max Temperature	Mean Min Temperature	Mean Average Temperature
January	0.71	16.0	-1.3	7.4
February	0.59	22.4	4.6	13.5
March	1.02	34.6	17.6	26.1
April	0.98	54.5	31.5	43.0
May	2.75	68.2	43.3	55.8
June	3.74	76.6	53.9	65.3
July	3.17	81.2	58.4	69.8
August	3.14	80.4	56.2	68.3
September	2.05	69.7	46.3	58.0
October	1.92	54.1	34.0	44.1
November	0.90	34.9	19.1	27.0
December	0.65	20.1	4.3	12.2

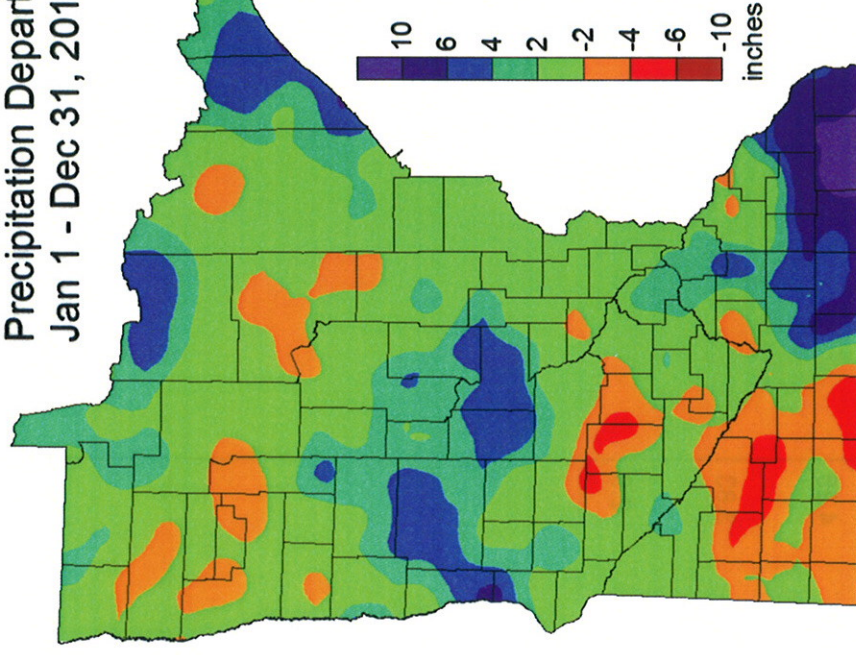
Source - National Weather Service: <http://www.crh.noaa.gov/fgf/climate/gfkf6.php>

Precipitation Total
Jan 1 - Dec 31, 2013



DNR State Climatology Office, April 9, 2014

Precipitation Departure
Jan 1 - Dec 31, 2013



DNR State Climatology Office - April 9, 2014

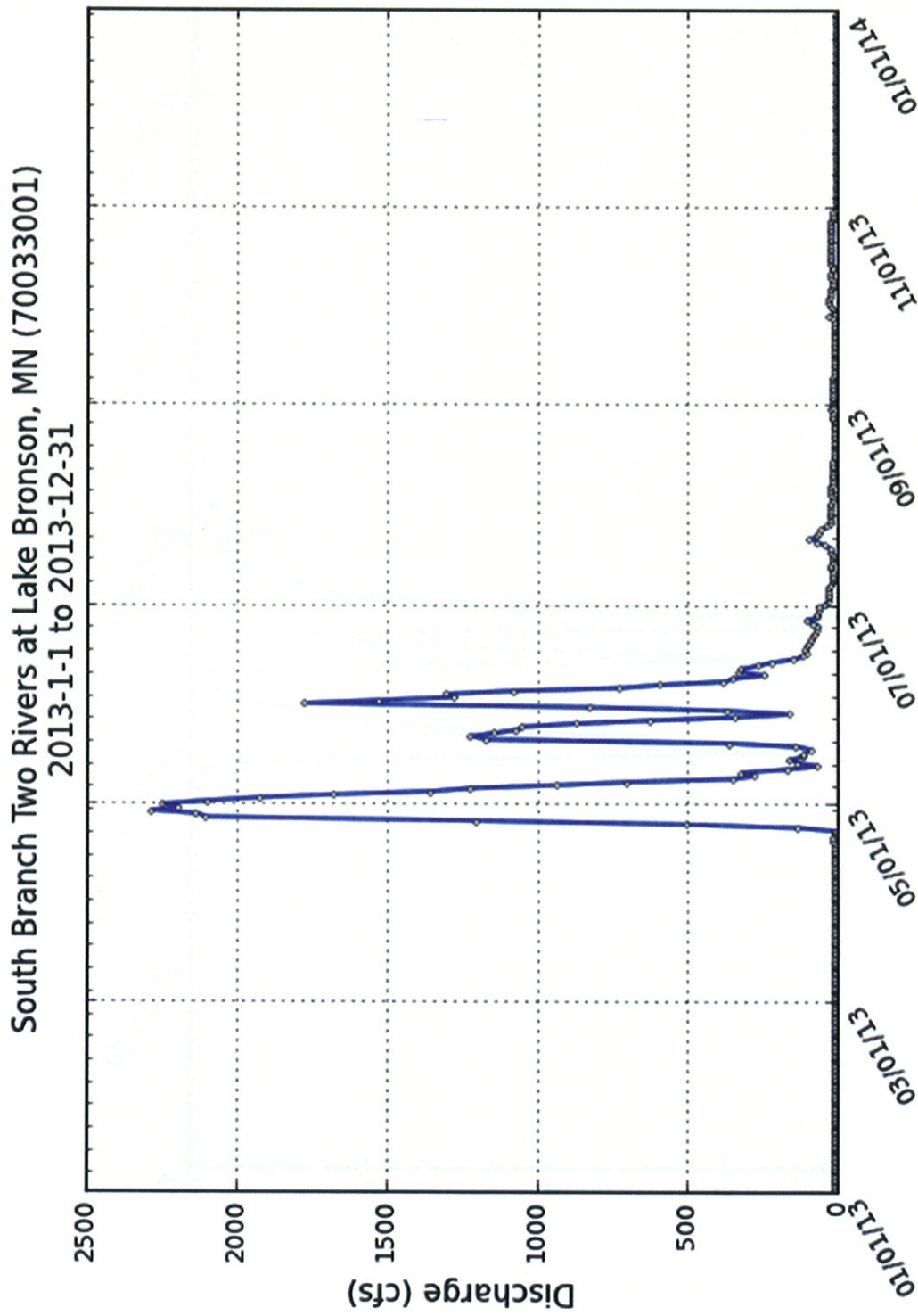
Source - Minnesota Climatology Working Group: <http://climate.umn.edu/>

The District annually collects snow depths and snow water equivalents in order to help analyze snow melt and runoff for spring flooding. The following table shows snow depths and water equivalents taken during March, 2013 at various locations as described.

Location		Name	Depth	Water	Depth	Water
SE, NE, Sect. 13, T161N, R49W Gilbert Olson Park, City of Hallock		Hallock	17	3.35	19	3.72
SW, SE, Sect. 16, T162N, R49W Wooded lot @ Village of Northcote		Northcote			26.5	6.02
SE, NE, Sect. 11, T163N, R48W Meadow - scrub shrub		Richardville			23	4.25
SE, NE, Sect. 31,T163N, R46W Logged area (1995)		McKinley			21	3.83
NW, SW, Sect. 26, T162N, R46W CRP Field		Cannon			17	2.9
NW, NW, Sect. 11, T159N, R48W Ag field, plowed		Davis	7	1.36		
SE, SE, Sect. 2, T160N, R48W Ag field, plowed		Tegner	13	2.9		
SE, SE, Sect. 1, T160N, R45W Meadow, Moose Pt. Learning Center		Pelan	17	2.9		
SW, SW, Sect.16, T159N, R44W Scrub Shrub, State WMA		Lind	15	3.08		
NE, SE, Sect. 43, T162N, R41W Ag field, plowed		Ross	11	3.16		
*2005 Moved to the SW of SW of Sect 34 200ft N of intersection of 310th Ave and Co. 114						
NW, NW, Sect. 28, T160N, R41W Open meadow; outlet to Nereson Imp.		Nereson	21	4.08		

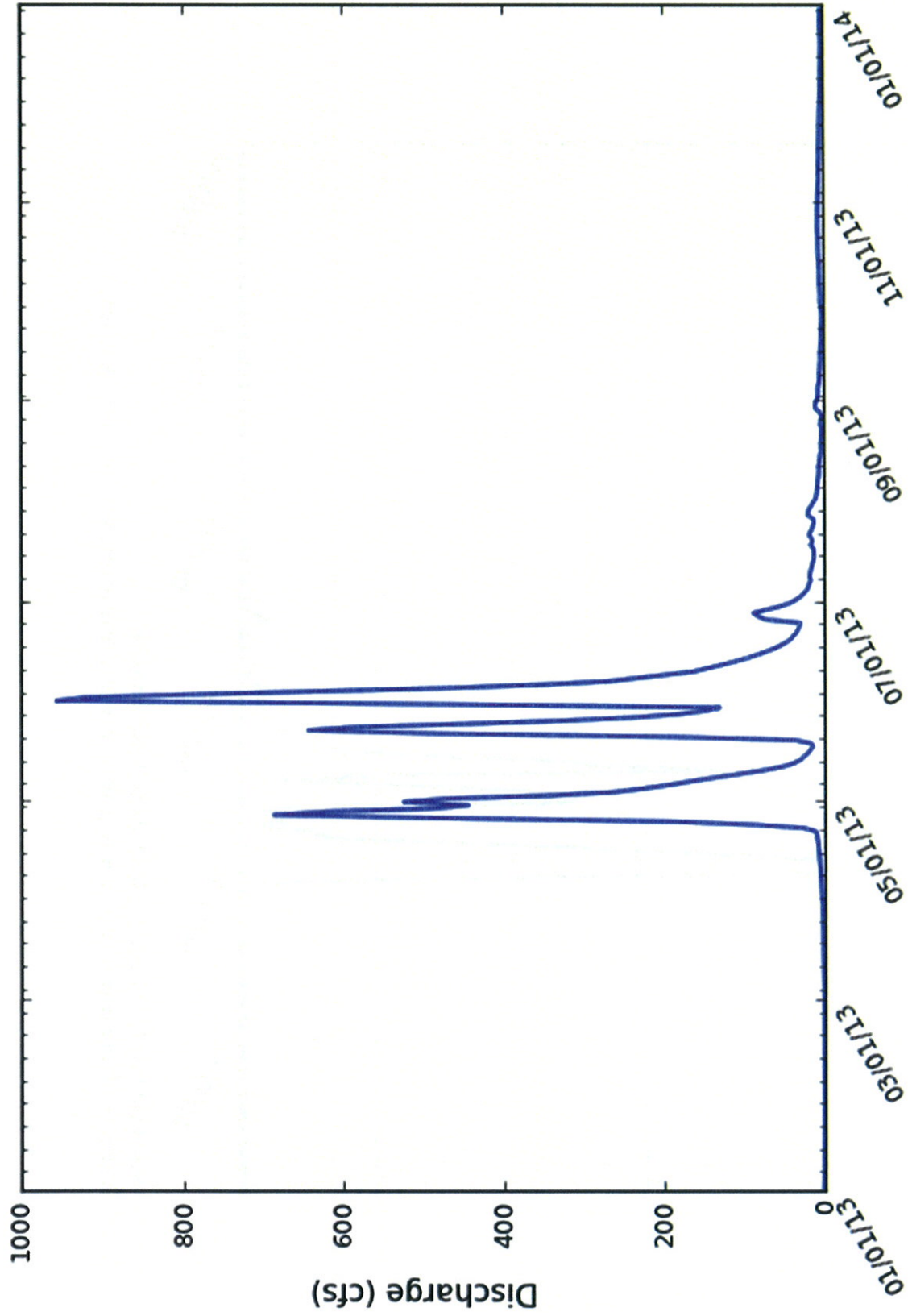
2013 STREAM FLOW

Stream flow and water levels throughout the year were varied by location. The following hydrographs depict streamflows within the Watershed District during 2013. A wet spring led to sustained flows up until July and August, followed by a drier period.



Stream Flows for South Branch Two Rivers at the City of Lake Bronson

Source: MN DNR http://www.dnr.state.mn.us/waters/csg/site_report.html?mode=getsitereport&site=70033001



Stream Flows for the North Branch Two Rivers at Kittson County Road #4, near Northcote
 Source: MN DNR http://www.dnr.state.mn.us/waters/csg/site_report.html?mode=getsitereport&site=70021001

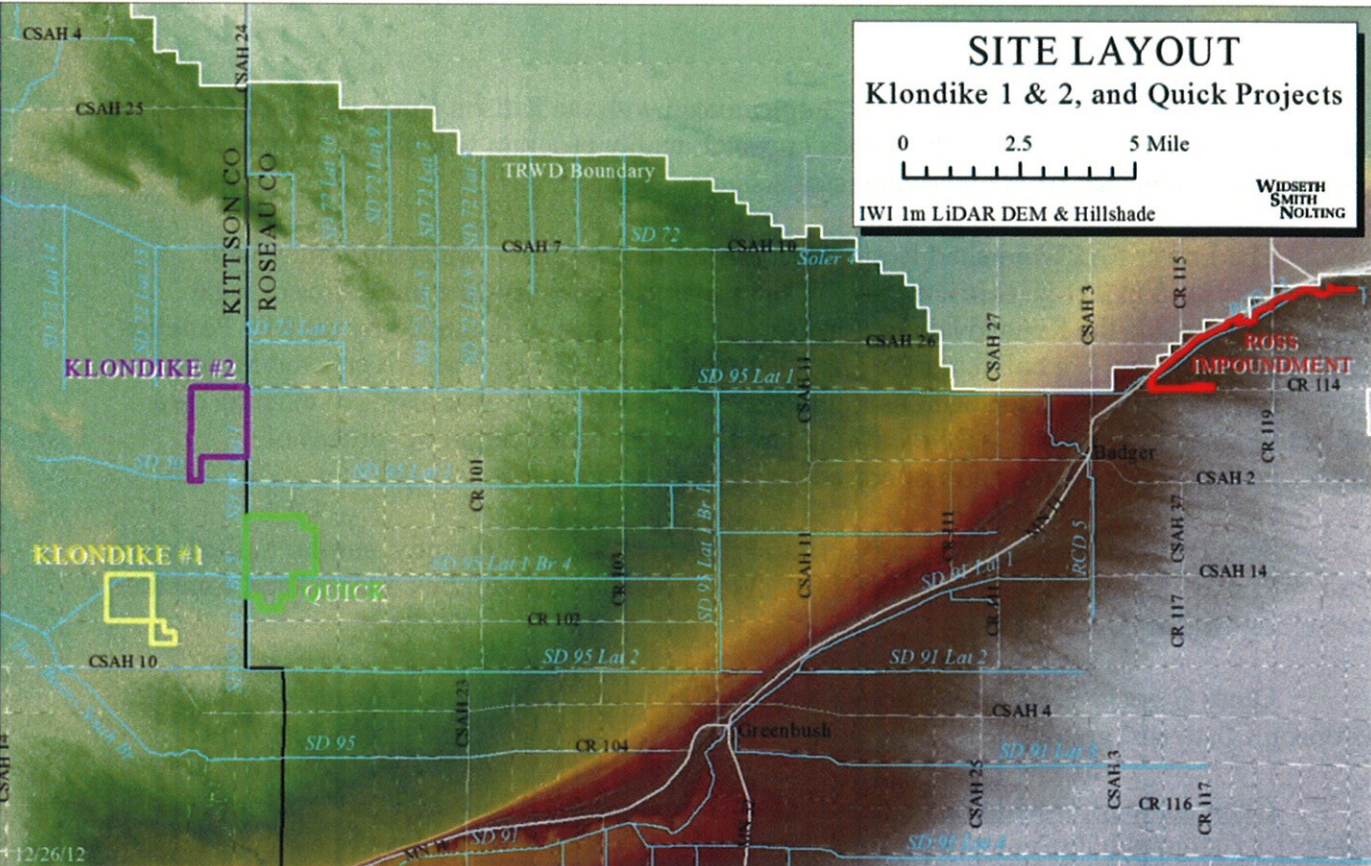
OBJECTIVES FOR 2014

PROJECT ACTIVITY

Inspection and maintenance will be done on all existing projects. Normal maintenance activities include mowing of right of way, removal of brush, spraying vegetation, beaver removal and other obstructions, and repair of any sloughing or erosion and damage to any structures.

IMPOUNDMENTS

The District is investigating the possibility of three impoundment sites that are located in very close proximity within the State Ditch #95 sub-watershed. These impoundments would have local flood control and drainage benefits to western Roseau County and eastern Kittson County, as well as contribute to the regional goal of 20% reduction of peak flows on the Red River. The projects are described below.



Quick – The TRWD had been looking at the area of sections 19 and 30 of Polonia Township, Roseau County off and on since 1991. This land became available in 2012 and the ‘Wetland Reserve Program’ became available through the USDA Natural Resources Conservation Service to help with a flood control impoundment. Plans are currently in the works regarding the design of this impoundment.

Klondike 1 – This site is located on land owned by the District in section 27 of Klondike Township, Kittson County. The District is preparing plans and will be looking into the feasibility of this project.

Klondike 2 – This site is located in sections 1, 2, 11, & 12 of Klondike Township, Kittson County, and is under the same status as the Klondike 1 site.

PROGRAM ACTIVITY

Stream Flow Monitoring: Stream flow and velocities will continue to be monitored and recorded for each of the 28 sites that have been developed. The District will continue to recruit volunteers to read and record staff gage information for each site. Stream flows and velocities will be measured by District staff at each site during runoff events and data will be reported to interested agencies and persons, including the National Weather Service, DNR, and various other state and local agencies. The long-range goal is to record data not only for the high flow events but for summer low flows as well.

Water Quality Monitoring:

The River Watch program will be implemented with the Kittson County 4-H group and any schools that are interested. This hands on water quality program will also be expanded if cooperation is obtained from other interested schools.

The Lower Red Watershed Restoration and Protection Plan – watershed study will proceed to year 3 in 2014. This is a study of the unnamed coulee system and series of legal ditches that include the Kennedy coulee and the JD 10 systems. It is funded by the MN Pollution Control Agency, and is a collaborative effort between the Joe River, Two Rivers, and Middle-Snake-Tamarac Rivers Watershed Districts. The process will involve analysis of existing data, collection of additional data, public information meetings, identification of sources of impairments, and implementation of correction strategies.

Two Rivers Watershed Restoration and Protection Plan – This study, similar to the Lower Red WRAP, will proceed with year 2 in 2014. Water quality data will be collected and computer modelling will be done.

Other Grants: Work will continue with the ‘Drainage Water Management’ and the ‘Lake Bronson Upstream’ grants.

Geographic Information Systems: Data will continue to be collected and input into the District’s Geographic Information System. Data sets will continue to be developed, including culvert inventory, LiDar, drainage areas, water quality, stream flow, and information regarding the ditch systems administered by the District. This is an ongoing project that will be continued from year to year.

Permits: The District will continue to review permit applications for projects that affect the water resources of the District and permits will be approved accordingly.

Newsletters: The District newsletter will continue to be published quarterly in cooperation with the Kittson Soil & Water Conservation District. This is an excellent way to communicate to

the public the various programs, projects, and water management initiatives being contemplated by the District.

ADMINISTRATIVE ACTIVITIES

The District will continue to employ a full time District Administrator, who will be responsible to keep the meeting minutes, financial reports, permits, and all other paperwork of the District. In addition, the administrator will be required to organize and file all information regarding any programs, projects, or activities of the District. The Administrator will also perform field investigations, data collection, and other technical duties as determined by the Board of Managers.

The District will also continue employing a permanent, full time Technician. The position performs surveying, monitoring and inventory, data management, reporting, permit review, and other duties as dictated by the Administrator.

DITCHES

All District ditches will be inspected in 2014. Selected ditches will be surveyed. A maintenance schedule will be followed for each ditch, which will include cattail and brush spraying, beaver and beaver dam eradication, sediment removal, repair of any damages, and other activities as necessary. The table below will be followed as closely as practicable, at the Board of Managers discretion.

Two Rivers Watershed District		Ditch Maintenance Schedule					
Ditch	2010	2011	2012	2013	2014	2015	2016
RCD 4	Survey Cleanout	Survey	inspection Cleanout	inspection	inspection	survey	inspection
KCD 7	Survey	inspection Cleanout ~redetermine benefitted area	inspection	inspection	survey	inspection	inspection
KCD 10	inspection	survey	inspection Cleanout 1 mi	inspection	inspection	survey	inspection
JD 3	inspection	survey Cleaned out	inspection	inspection	inspection	survey	inspection
JD 10 main	inspection	inspection	inspection	survey	survey	inspection	inspection
JD 10 Br B	Survey Cleanout	inspection cleanout	inspection cleanout	inspection cleanout	survey cleanout	inspection	inspection
SD 49	inspection	survey	inspection	survey	cleanout veg control	inspection	inspection
SD 85 imp	inspection	inspection	survey	inspection	inspection	inspection	survey
Soler 4	inspection	survey	inspection cleanout	inspection	inspection	survey	inspection
Dewey 5 Imp	inspection establish grass buffer	inspection	inspection	survey	culverts	inspection	inspection
Kennedy 6	inspection establish grass buffer	inspection	inspection	survey	inspection	inspection	inspection
Middle Branch	inspection	inspection	survey	inspection veg control	inspection veg control	inspection	survey
North Branch	inspection	inspection FEMA Repair	survey	clean???	veg control	inspection	survey
Pending survey info, cleanout to original grade & cross section may be needed.							
After inspections, action may be needed to repair sloughs, remove beavers, spray cattails, etc.							
	denotes completed		denotes not completed		denotes work item for 2013		

BUDGET

The District held a budget hearing in September 2013 to review, adopt, and approve an administrative budget for 2014. The approved budget is listed below. The TRWD levied taxes in the amount of \$212,000 for payable 2014.

Administrative Budget	2014 Adopted
Administrative	65,000
Auto Expense	3,000
Capital Outlay	10,000
Conferences & Meetings	12,000
Dues & Subscriptions	2,000
Engineering	30,000
Information & Education	1,000
Insurance	2,250
Manager's Per Diem & Expense	12,500
Office Supplies & Miscellaneous	1,500
Payroll Tax Expense	25,000
Postage & Delivery	1,000
Printing & Advertising	1,000
Professional & Legal	20,000
Rent	5,000
Telephone	1,400
Totals	192,650

FINANCIAL SUMMARY

The following pages contain selected information from the annual audit for the Two Rivers Watershed District as supplied in accordance to state law by the certified public accounting firm of Drees, Risky & Vallager, LTD. This audit covers the period of January 1, 2013 to December 31, 2013. A complete version of the audit is available upon request.

Drees, Risky & Vallager, Ltd.
Certified Public Accountants

Grand Forks:
 1405 Library Circle
 Telephone (701) 746-4466
 FAX (701) 772-6659

Crookston:
 117 South Broadway
 Telephone (218) 281-3789
 FAX (218) 281-5245

INDEPENDENT AUDITORS' REPORT

Board of Directors
 Two Rivers Watershed District
 Hallock, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Two Rivers Watershed District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements-cash basis 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 entity'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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the Two Rivers Watershed District, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

*Members of Minnesota and North Dakota Society of CPA's
 Members of American Institute of Certified Public Accountants*

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule on pages 3-5 and pages 18-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate and operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Two Rivers Watershed District's basic financial statements. The schedule of changes in fund balances—cash basis and agency fund activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 20-21 and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 listed above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2014 on our consideration of the Two Rivers Watershed District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 the Two Rivers Watershed District's internal control over financial reporting and compliance.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager, Ltd.

Certified Public Accountants

May 29, 2014
Crookston, Minnesota

Two Rivers Watershed District Management Discussion and Analysis

As management of the Two Rivers Watershed District, we offer readers of the Two Rivers Watershed District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements following this section.

Financial Highlights

- The cash net assets of Two Rivers Watershed District at the close of the recent fiscal year by \$765,767 (Net assets).
- The District's total net cash assets decreased by \$134,634.
- The District's general fund ended the year with a fund balance of \$148,651.

Overview of the Financial Statements

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

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

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

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

Over time, increased or decreased in net assets – cash basis may serve as a useful indicator of whether the financial cash position of the Two Rivers Watershed District is improving or deteriorating.

The government-wide financial statements can be found on pages 6 and 7 of this report.

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

Two Rivers Watershed District Management Discussion and Analysis

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

Two Rivers Watershed District maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund.

The basic government fund financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 17 of this report.

TWO RIVERS WATERSHED DISTRICT'S NET CASH ASSETS

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 765,767	\$ 900,401
NET CASH POSITION		
Restricted	\$ 617,116	\$ 781,569
Unrestricted (Deficit)	148,651	118,832
NET POSITION	\$ 765,767	\$ 900,401

At the end of 2013 and 2012, the Two Rivers Watershed District is able to report positive balances in net cash assets.

TWO RIVERS WATERSHED DISTRICT'S CHANGE IN NET CASH ASSETS

Governmental activities resulted in a decrease \$134,634 of Two Rivers Watershed District's net cash position from the fiscal year 2012 to the fiscal year 2013 in the amount of \$82,427. The details of the changes are as follows:

Two Rivers Watershed District Management Discussion and Analysis

	2013	2012
REVENUES		
Special assessments and charges for services	\$ 131,082	\$ 132,058
Operating grants	3,397	17,400
Capital grants	1,218,122	24,085
General revenues:		
Property taxes	421,222	420,918
Other intergovernmental	11,162	12,470
Interest	1,930	318
TOTAL REVENUES	<u>1,786,915</u>	<u>607,249</u>
EXPENSES		
General and administration	215,166	218,239
Maintenance projects	67,749	36,122
Flood control projects	1,544,476	380,687
Drainage projects	94,158	54,628
TOTAL EXPENSES	<u>1,921,549</u>	<u>689,676</u>
CHANGE IN NET POSITION	<u>\$ (134,634)</u>	<u>\$ (82,427)</u>

Financial Analysis of the Government's Funds

At the end of the current fiscal year, Two Rivers Watershed District's governmental funds reported combined ending fund balances (cash basis) of \$765,767. The total fund balance can be attributed to 1) General Fund, \$148,651; and 2) Capital Projects Fund, \$617,116.

The general fund increased by \$29,819 in 2013, which was due to a higher net increase in intergovernmental receipts over disbursements than was originally expected in the budget.

Budgetary Highlights

General Fund. The General Fund actual receipts exceeded budgeted receipts by \$13,555 and had actual disbursements under budgeted amounts by \$16,264 for the year ended December 31, 2013.

Additional Information

Requests for information. This financial report is designed to provide a general overview of Two Rivers Watershed District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Two Rivers Watershed District, 410 5th Street South, Suite 112, Hallock, Minnesota 56728 or contacting Dan Money at (218) 843-3333.

TWO RIVERS WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
DECEMBER 31, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ <u>765,767</u>
TOTAL ASSETS	\$ <u>765,767</u>
NET CASH POSITION	
Restricted	\$ 617,116
Unrestricted (deficit)	<u>148,651</u>
TOTAL NET POSITION	\$ <u>765,767</u>

See notes to the basic financial statements.

TWO RIVERS WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>to Actual</u>
				<u>Variance</u>
RECEIPTS				
Property taxes:				
Roseau County	\$ 46,754	\$ 46,754	\$ 46,676	\$ (78)
Kittson County	160,225	160,225	156,704	(3,521)
Marshall County	5,521	5,521	5,538	17
Total property taxes	212,500	212,500	208,918	(3,582)
Intergovernmental:				
Federal	-	-	277	277
State:				
MV and other credits	-	-	5,539	5,539
Local	-	-	640	640
Total Intergovernmental	-	-	8,936	8,936
Other:				
CRP and rents	-	-	3,013	3,013
Interest	-	-	1,930	1,930
Other	-	-	3,258	3,258
Total Other	-	-	8,201	8,201
TOTAL RECEIPTS	212,500	212,500	226,055	13,555
DISBURSEMENTS				
Administrative:				
Salaries and benefits	101,000	101,000	98,082	2,918
Conference and meetings	12,000	12,000	10,744	1,256
Manager's per diem and expenses	12,500	12,500	10,438	2,062
Dues and subscriptions	2,000	2,000	1,751	249
Information and education	1,000	1,000	927	73
Engineering	30,000	30,000	25,219	4,781
Legal and accounting	20,000	20,000	15,307	4,693
Rent	5,000	5,000	3,364	1,636
Insurance	2,500	2,500	9,032	(6,532)
Telephone	1,400	1,400	1,499	(99)
Office supplies and miscellaneous	1,500	1,500	2,747	(1,247)
Postage and delivery	1,000	1,000	451	549
Printing and advertising	1,000	1,000	290	710
Vehicle expense	3,000	3,000	3,121	(121)
Capital outlay and projects	18,600	18,600	13,079	5,521
Total Administrative	212,500	212,500	196,051	16,449

TWO RIVERS WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND

	Budget Amounts		Actual	Final Budget
	Original	Final	Amounts	to Actual
				Variance
Projects:				
Permit review	\$ -	\$ -	\$ 150	(150)
Water quality	-	-	35	(35)
Total Projects	-	-	185	(185)
 TOTAL DISBURSEMENTS	 212,500	 212,500	 196,236	 16,264
 Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	 -	 -	 29,819	 29,819
 Fund Balance (Deficit), January 1	 118,832	 118,832	 118,832	 -
 Fund Balance (Deficit), December 31	 <u>\$ 118,832</u>	 <u>\$ 118,832</u>	 <u>\$ 148,651</u>	 <u>\$ 29,819</u>

* * * * *

BUDGET NOTES

Budgets are prepared by the District on the same basis of accounting used in the preparation of its financial statements. The budget presented in this report is presented in accordance with the cash basis of accounting. All appropriations lapse at year-end.

The budget is adopted through passage of a resolution by the board. Administration can authorize the transfer of budgeted amounts with the general fund. The State imposed an administrative budget limit on watershed districts of \$250,000 for the year ended December 31, 2013.

TWO RIVERS WATERSHED DISTRICT
SCHEDULE OF FUND BALANCE BY PROJECT
DECEMBER 31, 2013

	Fund Balance 1/1/2013	Receipts and Other Sources					Disbursements			Fund Balance 12/31/2013
		Taxes and Special Assessments	MV Credit	Capital & Operating Grants	Other Receipts	Total	Administrative	Direct	Total	
GENERAL FUND:										
Administrative	\$ 118,832	\$ 208,918	\$ 5,539	\$ 3,397	\$ 8,201	\$ 226,055	\$ 196,051	\$ 185	\$ 196,236	\$ 148,651
CAPITAL PROJECTS FUND:										
Administrative Construction	1,333,110	212,304	5,623	-	-	217,927	-	13,821	13,821	1,537,216
Project development	-	-	-	-	-	-	-	5,109	5,109	(5,109)
Maintenance:										
Middle Branch	3,782	9,912	-	-	-	9,912	200	-	200	13,494
North Branch	9,722	5,211	-	-	-	5,211	1,280	8	1,288	13,645
Nereson	160	-	-	-	-	-	-	-	-	160
Ross	11,829	-	-	-	21,973	21,973	1,560	15,369	16,929	16,873
TRWDRPP TMDL	-	-	-	-	-	-	560	2,252	2,812	(2,812)
LRRWRPP	(29,434)	-	-	66,335	-	66,335	15,192	31,328	46,520	(9,619)
Flood Control:										
Ross #7 Impoundment	(1,476)	-	-	-	-	-	-	-	-	(1,476)
Kennedy #6	(109,944)	8,615	-	-	-	8,615	2,160	-	2,160	(103,489)
Springbrook	(127,399)	-	-	69,821	-	69,821	16,480	153,250	169,730	(227,308)
Springbrook PL 566	(14,342)	-	-	1,079,966	-	1,079,966	-	1,357,928	1,357,928	(292,304)
Polonia-Quick	(282,927)	-	-	-	-	-	-	3,096	3,096	(286,023)
Quick	(358)	-	-	-	-	-	1,620	1,139	2,759	(3,117)
Klondike	-	-	-	-	-	-	-	8,803	8,803	(8,803)
Drainage:										
Roseau County Ditch #4	3,617	9,677	-	-	-	9,677	-	53,393	53,393	(40,099)
Kittson County Ditch #10	7,661	3,141	-	2,000	-	5,141	360	5	365	12,437
Dewey #5	6,383	3,980	-	-	-	3,980	1,440	-	1,440	8,923
Judicial Ditch #3	(18,159)	13,079	-	-	-	13,079	520	-	520	(5,600)
State Ditch #85 Improvement	902	5,001	-	-	-	5,001	-	-	-	5,903
Dewey #5 Improvement	(4,782)	-	-	-	-	-	-	-	-	(4,782)
Soler #4	20,928	-	-	-	-	-	80	600	680	20,248
Judicial Ditch #10	(36,258)	26,023	-	-	-	26,023	3,740	22,430	26,170	(36,405)
State Ditch #49	16,869	3,875	-	-	-	3,875	3,740	770	4,510	16,234
Drainage water management grant	15,000	-	-	-	-	-	-	5,000	5,000	10,000
Redetermination Kittson CD #7	(9,493)	-	-	-	-	-	-	-	-	(9,493)
Kittson County Ditch #7	(13,822)	14,324	-	-	-	14,324	2,080	-	2,080	(1,578)
Total Capital Project Fund	781,569	315,142	5,623	1,218,122	21,973	1,560,860	51,012	1,674,301	1,725,313	617,116
TOTAL	\$ 900,401	\$ 524,060	\$ 11,162	\$ 1,221,519	\$ 30,174	\$ 1,786,915	\$ 247,063	\$ 1,674,486	\$ 1,921,549	\$ 765,767

TWO RIVERS WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENT AND CHANGES
IN AMOUNT DUE TO (FROM) OTHER GOVERNMENTS -
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

RECEIPTS

Taxes	
Kittson County	\$ 159,191
Marshall County	5,623
Roseau County	47,490
Intergovernmental:	
MV credits	<u>5,623</u>
TOTAL RECEIPTS	<u>217,927</u>

DISBURSEMENTS

Payments to RRWMB	<u>217,955</u>
Receipts Over (Under) Disbursements	(28)
Due to (from) Other Government - January 1	<u>22,481</u>
Due to (from) Other Government - December 31	<u>\$ 22,453</u>

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INDEPENDENT AUDITORS' REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
 Two Rivers Watershed District
 Hallock, Minnesota 56701

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 financial statements of governmental activities, each major fund and the aggregated remaining fund information of the Two Rivers Watershed District, as of and for the year ended December 31, 2013, and have issued our report thereon dated May 29, 2014.

The *Minnesota Legal Compliance Audit Guide for 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, public indebtedness, claims and disbursements and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Two Rivers Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for 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.

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

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager, Ltd.
 Certified Public Accountants

May 29, 2014
 Crookston, Minnesota

TWO RIVERS WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/ Pass through Agency/ Program Title	Agreement	Federal CFDA Number	Amount Expended
US Department of Agriculture - Natural Resources Conservation Services			
Wetlands Reserve Program	60-6322-11-1-01	10.072	\$ 1,332,560
US Department of Homeland Security: Pass-through Minnesota Emergency Management			
Disaster Assistance	DR-1900	97.036	<u>277</u>
			<u>\$ 1,332,837</u>

TWO RIVERS WATERSHED DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Two River Watershed District, it is not intended to and does not present the financial position or changes in net cash position of the District.

NOTE 2 - RISK-BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.

