

BUFFALO-RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

BUFFALO - RED RIVER WATERSHED DISTRICT

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BUFFALO - RED RIVER WATERSHED DISTRICT
LIST OF OFFICIALS
DECEMBER 31, 2014

Governing Board

	<u>Office</u>
Gerald L. VanAmburg	Chairman
Peter V Fjestad	Vice-chairman
Curtis M. Nelson/Mark T. Anderson	Treasurer
John E. Hanson	Secretary
Breanna L. Paredeis Kobeila	Manager
Catherine L. Affield	Manager
Troy Larson	Manager

Administration

Bruce E. Albright	Office Administrator
Julie Jerger	Administrative Assistant

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
Buffalo-Red River Watershed District
Barnesville, Minnesota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Buffalo-Red River Watershed District as of and for the year ended December 31, 2014, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buffalo-Red River Watershed District as of December 31, 2014, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

U.S. generally accepted accounting principles require that the management discussion and analysis and budgetary comparison information on pages 4-10 and 34 be presented to supplement the basic financial statements. Such information, although not 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 operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

West Fargo, North Dakota
June 5, 2015

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701) 281-0483 Cell 212-3908

BUFFALO - RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Buffalo-Red River Watershed District (District), I offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2014, within the limitations of the District's modified cash basis of accounting. I encourage readers to consider the information presented here in conjunction with additional information that I have furnished. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

Financial Highlights

* The assets of District exceeded its liabilities at the close of the most recent fiscal year by \$652,558, (Net Assets). Of this amount, \$652,558 (Unrestricted Net Assets) may be used to meet ongoing obligations.

* The District's total net assets decreased by \$374,424 as a result of the current year's operation on the modified cash basis.

* The District's total revenues from all sources were \$6,450,397. Total expenses were \$6,824,821.

* At the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$652,558, a net decrease of \$374,424 in comparison with the prior year. The entire balance is available for spending through an unreserved fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise five components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

These financial statements are organized so the reader can understand the District as a whole.

BUFFALO - RED RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED

Government-Wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal year resulting from the use of the modified cash basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three groups: governmental, proprietary, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

BUFFALO - RED RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. The District's net assets resulting from modified cash basis transactions of \$652,558 are segregated into three categories. Invested in capital assets (net of related debt), restricted assets and unrestricted. Net assets invested in capital assets, net of related debt, represents 0% of the District's net assets. These assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. Restricted net assets represent 0% of the District's resources that are subject to external restrictions on how they may be used. Unrestricted net assets represent the remaining 100% of resources. The unrestricted net assets are available to meet the District's ongoing obligations.

NET ASSETS- MODIFIED CASH BASIS

Assets	<u>2014</u>	<u>2013</u>
Current and other assets	652,558	1,026,981
Capital assets (net of depreciation)		
Total Assets	<u>652,558</u>	<u>1,026,981</u>
	=====	=====
Liabilities		
Current Liabilities		
Long Term Liabilities		
Total Liabilities	<u> </u>	<u> </u>
	=====	=====
Net Assets		
Invested in Capital Assets Net		
Restricted		
Unrestricted	<u>652,558</u>	<u>1,026,981</u>
Total Net Assets	<u>652,558</u>	<u>1,026,981</u>

BUFFALO - RED RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED

Governmental activities decreased the District's net assets resulting from modified cash basis transactions by \$374,424. Key elements of this increase are as follows:

CHANGES IN NET ASSETS- MODIFIED CASH BASIS		
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services		
Operating Grants and Contributions	3,870,067	4,826,296
General Revenues		
Property taxes	1,009,651	1,061,909
Assessments	1,317,978	897,032
State Aid	109,042	107,865
Debt proceeds		2,015,954
Interest and Other Revenue	143,659	339,455
Total Revenues	<u>6,450,397</u>	<u>9,248,511</u>
Expenses		
Project	6,325,845	7,909,027
Support Services:		
General Administrative Services	392,866	366,660
Interest	106,110	158,435
Depreciation-Unallocated		
Total Expenses	<u>6,824,821</u>	<u>8,434,122</u>
Increase in Net Assets	(374,424)	814,389

Taxes constituted 16%, special assessments 20%, grants 60% and other revenues made up the remaining 4% of the total revenues of the governmental activities of the District for the 2014 fiscal year. Projects comprise 93% of the District's governmental expenses, while support services account for 7%.

General Fund Budgetary Highlights

The District does not prepare a formal budget for any funds. However, all funds are tracked and presented to the managers on a monthly basis through a variety of reports.

BUFFALO - RED RIVER WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED

Capital Asset and Debt administration

Capital Assets

As of December 31, 2014, the District had \$597,539 invested in capital assets. This investment includes land, buildings and improvements, equipment and vehicles, and construction in progress.

CAPITAL ASSETS (NET OF DEPRECIATION)		
	<u>2013</u>	<u>2014</u>
Buildings and Improvements		597,539
Construction in Progress	585,122	
Total	585,122	597,539

Under the modified cash basis the cost of fixed assets is expensed in the year incurred and no depreciation expense is recorded.

Long-Term Debt

The District had long term debt of \$313,000. Of this amount, \$212,000 is long-term debt, the remaining \$101,000 is a current liability due within one year. The District had a net decrease in its existing debt obligation by \$ 99,000 from December 31, 2013.

OUTSTANDING GENERAL LONG-TERM DEBT		
	<u>2013</u>	<u>2014</u>
Bonds Payable	412,000	313,000
Line of credit payable		
Total	<u>412,000</u>	<u>313,000</u>

Under the modified cash basis the debt proceeds are recorded as revenue in the year received and the repayment of principal is recorded as expense in the year paid.

Economic Factors and Next Year's Budget

While the current financial condition of the District is strong, careful planning and financial stewardship must be followed to ensure that stability remains in future years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all their citizens, taxpayers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bruce E. Albright, Office Administrator.

BUFFALO-RED RIVER WATERSHED DISTRICT
STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
DECEMBER 31, 2014

ASSETS

Cash and investments	652,557.65
Accounts receivable	
Taxes receivable	
Intergovernmental receivable	
Due from County Treasurer	
Capital assets (net of accumulated depreciati	-
Total Assets	652,557.65

LIABILITIES

Accounts Payable	
Line of credit	-
Deferred revenue	
Long-term liabilities:	
Due within one year:	
Bonds payable	
Notes payable	-
Due after one year:	
Bonds payable	
Notes payable	-
Accrued vacation	
Total liabilities	-

NET ASSETS

Invested in capital assets, net of related debt	-
Restricted for:	
Capital projects	
Debt service	
Unrestricted	652,557.65
Total net assets	652,557.65

The accompanying notes are an integral part of these financial statements.

BUFFALO-RED RIVER WATERSHED DISTRICT
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2014

	Program Revenues			Net (expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
General government	392,866.51			(392,866.51)
Project expense	6,273,519.62	3,870,066.93		(2,403,452.69)
Buy out costs	-			-
				-
				-
				-
Interest expense	158,434.64			(158,434.64)
Depreciation- Unallocated				-
Total Governmental Activi	6,824,820.77	3,870,066.93	-	(2,954,753.84)
General Revenues				
Property taxes				1,009,651.09
Special assessments				1,317,978.24
Debt				-
State aid				109,042.36
Interest income				102,190.77
RRWMB share				32,693.56
Other revenue				8,774.08
Total General revenues				2,580,330.10
Change in Net Assets				(374,423.74)
Net Assets- January 1				1,026,981.36
Net Assets- December 31				652,557.62

The accompanying notes are an integral part of these financial statements.

BUFFALO-RED RIVER WATERSHED DISTRICT
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2014

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 56 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	159,454.45	1,222,808.87	47,067.75	(627,718.69)	(149,054.73)	652,557.65
Accounts receivable						-
Taxes receivable						-
Intergovernmental receivable						-
Due from County Treasurer						-
Total Assets	159,454.45	1,222,808.87	47,067.75	(627,718.69)	(149,054.73)	652,557.65
LIABILITIES						
Accounts Payable						-
Line of credit					-	-
Deferred revenue						-
Total liabilities	-	-	-	-	-	-
FUND BALANCE						
Restricted for Capital Projects						-
Restricted for Debt Service						-
Unassigned	159,454.45	1,222,808.87	47,067.75	(627,718.69)	(149,054.73)	652,557.65
Total fund balance	159,454.45	1,222,808.87	47,067.75	(627,718.69)	(149,054.73)	652,557.65

The accompanying notes are an integral part of these financial statements.

BUFFALO-RED RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 56 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	256,031.62	5.98	461,930.57	-	291,682.92	1,009,651.09
Special assessments				99,962.50	1,218,015.74	1,317,978.24
Grant income		-		1,864,862.39	2,037,898.10	3,902,760.49
State aid	-		-		109,042.36	109,042.36
RRWMB share	-	-	-	-	-	-
Charges for services	2,700.00	-	-	-	-	2,700.00
Interest and other	1,277.42	41,695.13	4,994.12	3,507.00	56,791.18	108,264.85
Total Revenues	260,009.04	41,701.11	466,924.69	1,968,331.89	3,713,430.30	6,450,397.03
Current:						
General government	99,183.73		57,368.82	-	-	156,552.55
Engineering	293,682.78	1,355.70	5,610.16	246,148.04	929,605.91	1,476,402.59
Buy out costs			-	-	-	-
Capital outlay		-	43,456.07	2,662,721.27	2,379,577.98	5,085,755.32
Debt Service			-			
Principal					-	-
Interest expense	-			5,474.57	100,635.74	106,110.31
Total Expenditures	392,866.51	1,355.70	106,435.05	2,914,343.88	3,409,819.63	6,824,820.77
Excess revenues (expendit	(132,857.47)	40,345.41	360,489.64	(946,011.99)	303,610.67	(374,423.74)
Other Financing Sources (Uses):						
Transfers in	210,376.74	-		-	607,277.01	817,653.75
Transfers out		(156,084.74)	(354,611.66)	(42,162.72)	(264,794.63)	(817,653.75)
Debt proceeds					-	-
Total other financing sourc	210,376.74	(156,084.74)	(354,611.66)	(42,162.72)	342,482.38	-
Net change in fund balance	77,519.27	(115,739.33)	5,877.98	(988,174.71)	646,093.05	(374,423.74)
Fund balance- beginning	81,935.18	1,338,548.20	41,189.77	360,456.02	(795,147.81)	1,026,981.36
Fund balance- ending	159,454.45	1,222,808.87	47,067.75	(627,718.69)	(149,054.76)	652,557.62

The accompanying notes are an integral part of these financial statements.

BUFFALO - RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Buffalo-Red Watershed District (District) have been prepared on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component Units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based on these criteria, there are no component Units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BUFFALO - RED RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Funds are organized into two major categories: governmental and proprietary. The District currently has no enterprise or fiduciary funds.

The District reports the following major governmental fund types:

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

Construction fund. The Construction fund is used to record the tax levy that results from a levy in conjunction with the Red River Watershed Management Board. The fund directly pays for construction costs or supports other funds of the District.

M.S.A. 103D.905 fund. The Construction fund is used to record the tax levy that results from a levy allowed by the State. The fund directly pays for construction costs or supports other funds of the District.

Project No 49- Oakport Township Levee. The fund is used to record the grant and special assessments received for the construction of a levee in Oakport Township. The fund is also used to purchase property in the Township that is at risk for flooding.

The District also reports the following fund types:

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District.

BUFFALO - RED RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

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 presents 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.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

BUFFALO - RED RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets

The District does not prepare a formal budget for any funds. It goes through a process to establish the tax levy.

E. Cash and Investments

At year end, the bank balance was \$378,014. The entire bank balance was covered by federal depository insurance or was collateralized with securities by the pledging financial institution's agent in the District's name.

The District is authorized by State statutes to invest idle funds in direct or guaranteed obligations of the United States or its agencies, shares of registered investment companies, any general obligation of the state or municipalities, bankers acceptances or commercial paper of U.S. corporations.

Investments consist of certificates of deposits stated at cost.

F. Capital Assets

The District records capital assets as disbursements at the time of purchase.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

BUFFALO - RED RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED

H. Fund Balance

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District council-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the District's budget in 2014.

EXPENDITURES OVER APPROPRIATIONS

The District did not overspend the budget. No remedial action is required by the District.

NOTE 3 DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The District does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the District maintains deposits at those depository banks and savings and loans authorized by the District, all of which are covered by federal deposit insurance. These statutes also require that the deposits be protected by insurance, collateral or surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2014, the District's deposits were either fully insured or properly collateralized, and have no custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rate. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. As of December 31, 2014, the District had no debt securities investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that specifically addresses credit risk. As of December 31, 2014, the District had no debt securities investments.

BUFFALO - RED RIVER WATERSHED DISTRICT
 NOTES TO FINANCIAL STATEMENTS- CONTINUED

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer. As of December 31, 2014, the District had no debt securities investments.

NOTE 4 DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in liabilities reported in long-term debt:

	Payable 2013	Increases	Decreases	Payable 2014	Due Within One Year
Bonds Payable	412,000		99,000	313,000	101,000

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Limited Tax Bonds-2012	02/01/2017	1.00-1.50%	313,000

The District has established a \$600,000 operating line of credit at a local bank. The current interest rate is 2.75%. At December 31, 2014, the outstanding balance was \$0.

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

BUFFALO - RED RIVER WATERSHED DISTRICT
 NOTES TO FINANCIAL STATEMENTS- CONTINUED

NOTE 6. DEFICIT FUND BALANCES

The following fund balances had deficits at December 31, 2014:

Project #14	32 177	Will be eliminated by specials/FEMA.
Project #30	14 485	Will be eliminated by specials.
Project #32	3 617	Will be eliminated by specials.
Project #33	9 166	Will be eliminated by specials.
Project #34	2 450	Will be eliminated by specials/FEMA.
Project #35	56 824	Will be eliminated by specials/FEMA.
Project #38	1 252	Will be eliminated by specials.
Project #39	116 874	Will be eliminated by specials/grant.
RRBC	380	Will be eliminated by MSA 103D.
Wilkin/Otter JD2	15 962	Will be eliminated by specials.
Project #46	30 669	Will be eliminated by specials.
Project #49	219 367	Will be eliminated by specials/grant.
Project #50	4 319	Will be eliminated by specials.
Project #56	627 719	Will be eliminated by specials/grant/MSA 103D.
Project #61	41 895	Will be eliminated by specials.
Project #62	11 433	Will be eliminated by specials.
Project #64	19 388	Will be eliminated by specials.
Project #65	10 125	Will be eliminated by specials.
Project #67	40 152	Will be eliminated by specials.
Project #68	28 494	Will be eliminated by specials.
Project #71	65 078	Will be eliminated by specials/grant.
Project #72	13 122	Will be eliminated by specials.
Project #75	17 523	Will be eliminated by specials.
Becker Ditch #5	4 093	Will be eliminated by specials.
Becker Ditch #7	2 675	Will be eliminated by specials.
Becker Ditch #9	28 066	Will be eliminated by specials.
Becker Ditch 10	18 312	Will be eliminated by specials.
Becker Ditch 19	35 429	Will be eliminated by specials.
Clay Ditch #9	218 972	Will be eliminated by specials.
Clay Ditch #28	1 196	Will be eliminated by specials/FEMA.
Clay Ditch #31	58 594	Will be eliminated by specials/FEMA.
Clay Ditch #32	199 402	Will be eliminated by specials/FEMA.
Clay Ditch #33	124 646	Will be eliminated by specials/FEMA.
Clay Ditch #40	10 172	Will be eliminated by specials/FEMA.
Clay Ditch #49	10 700	Will be eliminated by specials/FEMA.
Clay Ditch #58	4 895	Will be eliminated by specials/FEMA.
Hawley Buffalo	491 634	Will be eliminated by MSA 103D/grant.
COE Diversion	943	Will be eliminated by MSA 103D.
Wilkin Ditch #2	108	Will be eliminated by specials.
Wilkin Ditch #40	13 783	Will be eliminated by specials.
Wilkin Ditch #41	37 644	Will be eliminated by specials/FEMA.
Wilkin Ditch #43	756	Will be eliminated by specials/FEMA.
Wilkin Ditch #6A	792	Will be eliminated by specials.
RIM/WRP Flood	679	Will be eliminated by MSA 103D.
Upper Red TMDL	584	Will be eliminated by MPCA/BRRWD.
Barnesville drain	846	Will be eliminated by MSA 103D.
Blue Eagle Lake	168	Will be eliminated by MSA 103D.
FEMA 2006	4	Will be eliminated by BRRWD.
Buffalo Red TMDL	3 473	Will be eliminated by MPCA/BRRWD.

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2014

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
GENERAL	81,935.18	260,009.04	392,866.51	210,376.74	159,454.45
NEW OFFICE	8,091.98	100,121.05	122,130.30	14,000.00	82.73
RRWMB	63.48	5.97	-	-	69.45
CLAY COUNTY BUYOUT	32,475.37	850.30	13,687.90	(136.88)	19,500.89
CONSTRUCTION	1,338,548.20	40,784.41	1,355.70	(155,168.04)	1,222,808.87
MSA 103D	41,189.77	466,924.69	106,435.05	(354,611.66)	47,067.75
INSURANCE	2,621.95	23,015.44	19,517.67	(195.17)	5,924.55
UPPER S BRANCH BMP	117,160.35	27,022.01	63,968.52	(1,106.71)	79,107.13
WOLVERTON CREEK	136,928.09	28,145.87	52,227.89	(1,168.62)	111,677.45
BECKER DITCH #5	6,066.03	610.91	10,648.12	(121.44)	(4,092.62)
BECKER DITCH #6	3.71	0.11	-	-	3.82
BECKER DITCH #7	(2,559.65)	-	115.18	-	(2,674.83)
BECKER DITCH #9	(31,204.90)	14,966.19	11,708.24	(119.43)	(28,066.38)
BECKER DITCH#10	(12,252.48)	29.51	5,919.95	(169.28)	(18,312.20)
BECKER DITCH#15-PJ 23	36,638.40	17,160.59	9,922.16	(122.61)	43,754.22
BECKER DITCH#19	(20,148.20)	2,585.71	17,545.88	(320.46)	(35,428.83)
CLAY DITCH #03	8,329.88	8,156.10	2,218.18	5,864.19	20,131.99
CLAY DITCH #05	37,088.29	101,775.14	123,429.35	(724.20)	14,709.88
CLAY DITCH #09	(181,006.97)	7,582.86	43,418.42	(2,129.26)	(218,971.79)
CLAY DITCH #16	4,778.22	1,208.30	1,014.83	(17.16)	4,954.53
CLAY DITCH #17	5,045.64	3,472.71	826.50	(38.50)	7,653.35
CLAY DITCH #20	(8,493.50)	14,715.54	3,195.65	(103.18)	2,923.21
CLAY DITCH #21	35,544.32	14,348.97	5,112.19	(135.89)	44,645.21
CLAY DITCH #22	(4,925.89)	6,705.90	1,116.72	(20.75)	642.54
CLAY DITCH #23	13,566.45	394.38	1,879.44	(34.97)	12,046.42
CLAY DITCH #28	(29,654.79)	32,021.48	3,488.31	(74.03)	(1,195.65)
CLAY DITCH #31	(10,039.72)	9,375.29	61,515.71	3,585.70	(58,594.44)
CLAY DITCH #32	(184,773.90)	14,280.07	29,407.08	498.73	(199,402.18)
CLAY DITCH #33	(111,076.80)	8,128.12	21,414.79	(282.30)	(124,645.77)
CLAY DITCH #34	20,656.83	630.81	928.14	586.26	20,945.76
CLAY DITCH #35	22,952.33	19,376.08	2,281.55	2,499.98	42,546.84
CLAY DITCH #36	(6,394.43)	14,700.55	2,936.32	(68.89)	5,300.91
CLAY DITCH #39- PJ 7	32,081.94	1,181.85	7,396.01	5,481.18	31,348.96
CLAY DITCH #40	(46,971.71)	39,901.93	5,087.32	1,985.26	(10,171.84)
CLAY DITCH #49	(83,072.23)	83,424.69	12,894.89	1,842.62	(10,699.81)
CLAY DITCH #51	16,630.27	500.21	1,039.87	565.97	16,656.58
CLAY DITCH #53-PJ 47	8,093.26	2,505.91	1,128.04	(37.71)	9,433.42
CLAY DITCH #54	(11,218.86)	13,988.28	2,061.26	(27.30)	680.86
CLAY DITCH #57	6,343.08	2,780.69	969.69	(37.74)	8,116.34
CLAY DITCH #58	(8,997.40)	14,922.15	10,960.17	140.20	(4,895.22)
CLAY DITCH 59-PJ 48	(50,321.58)	59,445.45	8,101.81	1,514.96	2,537.02
CLAY DITCH #60	(9,935.85)	16,303.27	523.03	(17.82)	5,826.57
CLAY DITCH #63	4,744.33	8,318.75	1,408.60	2,572.73	14,227.21
CLAY DITCH #65- PJ 3	9,654.92	4,969.91	10,272.13	5,791.63	10,144.33
WILKIN DITCH#22-PJ1	(35,028.82)	41,724.02	5,990.73	5,246.77	5,951.24
WILKIN DITCH#26	3,607.62	169.24	444.46	(20.55)	3,311.85
WILKIN DITCH#40	(28,675.91)	18,480.42	3,506.02	(81.89)	(13,783.40)
WILKIN DITCH#41	(22,894.16)	29,783.90	43,972.09	(561.44)	(37,643.79)
WILKIN DITCH#42-PJ 25	10,771.06	285.80	3,842.38	(58.12)	7,156.36

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2014

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
WILKIN DITCH#43	(9,391.10)	9,922.44	1,263.60	(23.62)	(755.88)
WILKIN DITCH#44-PJ 24	(10,449.29)	20,325.22	3,341.87	23,173.80	29,707.86
WILKIN DITCH#5A	8,005.80	258.41	1,116.90	1,466.63	8,613.94
WILKIN DITCH#02	-	-	107.20	(1.07)	(108.27)
WILKIN DITCH#06A	-	-	784.43	(7.82)	(792.25)
PROJECT #02- W 22	(50,844.28)	20,329.18	7,215.50	93,788.03	56,057.43
PROJECT #04	8,397.61	255.72	22.50	(3.11)	8,627.72
PROJECT #05	2,848.04	75.40	553.90	(9.09)	2,360.45
PROJECT #08	135.28	-	7,468.54	9,865.78	2,532.52
PROJECT #09	-	-	-	-	-
PROJECT #13	209.40	-	4,448.94	4,934.32	694.78
PROJECT #14	32,477.54	107,936.06	170,781.35	(1,809.34)	(32,177.09)
PROJECT #17	-	-	-	-	-
PROJECT #16	604.21	73.43	12,259.38	12,862.30	1,280.56
PROJECT #19	6,696.52	15,393.52	4,694.85	(53.12)	17,342.07
PROJECT #20	42,993.38	1,319.15	8,660.24	4,859.29	40,511.58
PROJECT #21	7,021.31	10,368.60	879.40	(10.20)	16,500.31
PROJECT #27-C 55	7,217.80	267.70	1,720.74	1,707.80	7,472.56
PROJECT #28- C 2	52,454.60	1,970.16	2,908.62	(88.77)	51,427.37
PROJECT #29	-	-	33,524.67	34,568.25	1,043.58
PROJECT #30-CW JD1	20,242.69	14,065.12	47,725.46	(1,066.99)	(14,484.64)
PROJECT #31	(42.34)	-	16,885.82	19,735.35	2,807.19
PROJECT #32	(29,631.74)	29,824.27	3,765.65	(43.85)	(3,616.97)
PROJECT #33	(36,185.72)	38,766.41	11,286.15	(460.74)	(9,166.20)
PROJECT #34	(5,240.23)	50,647.67	46,961.86	(895.23)	(2,449.65)
PROJECT #35	(76,953.87)	48,177.84	26,815.73	(1,231.92)	(56,823.68)
PROJECT #36	2,095.38	13,634.10	4,352.35	391.85	11,768.98
PROJECT #37	7,840.06	20,295.82	11,741.44	1,472.65	17,867.09
PROJECT #38	(2,876.45)	4,812.06	1,600.82	3,606.90	3,941.69
PROJECT #39	(298,706.03)	461,368.90	264,539.84	(14,997.21)	(116,874.18)
PROJECT #40	24,728.83	753.42	-	(1.25)	25,481.00
HAY CREEK STINKING LAJ	-	-	347.34	347.34	-
PROJECT #42	12,822.34	412.84	3,557.09	2,450.80	12,128.89
PROJECT #43	39,904.62	1,306.45	5,127.65	(85.83)	35,997.59
PROJECT #44	(27,868.72)	-	1,254.09	29,122.81	-
PROJECT #45	(24,299.18)	-	1,093.46	25,392.64	-
PROJECT #46- TLO	(59,131.54)	80,467.04	51,079.96	(924.64)	(30,669.10)
PROJECT #49-OAK	(428,913.63)	342,070.66	125,809.64	(6,714.64)	(219,367.25)
PROJECT #50	(2,888.60)	-	1,386.62	(43.73)	(4,318.95)
PROJECT #51	17,225.30	3,011.01	669.55	(30.06)	19,536.70
PROJECT #52	(2,684.91)	10,068.39	1,823.44	3,727.86	9,287.90
PROJECT #54	62,213.57	1,860.87	3,462.06	(180.35)	60,432.03
PROJECT #55	12,468.93	372.53	253.25	(12.70)	12,575.51
PROJECT #56	360,456.02	1,968,331.89	2,914,343.88	(42,162.72)	(627,718.69)
PROJECT #57	6,498.16	887.80	606.67	(81.47)	6,697.82
PROJECT #58	12,917.72	381.26	982.73	(17.85)	12,298.40
TMDL	799.00	55,124.40	82,256.85	22,860.86	(3,472.59)
PROJECT #60	(7,582.83)	-	565.54	8,148.37	0.00
PROJECT #61	(41,011.26)	16,972.83	19,377.02	1,520.63	(41,894.82)

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2014

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
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PROJECT #62	(10,872.00)	140.89	698.69	(3.20)	(11,433.00)
PROJECT #64	(78,250.24)	80,926.87	21,682.71	(381.64)	(19,387.72)
PROJECT #65	(10,399.41)	3,561.86	3,228.73	(58.35)	(10,124.63)
PROJECT #66	(2,439.71)	-	109.94	2,549.65	(0.00)
HAWLEY BUFF RIV RES	-	-	511,225.28	19,591.31	(491,633.97)
MEDIATION PT	-	12,235.68	31,124.29	19,490.60	601.99
BWSR DRAINAGE	32,281.28	952.37	1,575.00	(50.38)	31,608.27
STREAMBANK EROSION-P	11,693.16	356.10	70.00	(0.70)	11,978.56
RIVERKEEPERS	45,000.00	0.28	45,000.00	-	0.28
COMP PLANNING	30,426.74	37,784.98	2,646.28	(398.54)	65,166.90
COE DIVERSION	-	342.12	21,017.55	19,732.47	(942.96)
PROJECT #67	(66,252.40)	30,996.27	4,847.19	(48.59)	(40,151.91)
PROJECT #68	(50,184.52)	25,504.21	3,780.63	(33.47)	(28,494.41)
BWSR CWF GRANT	(53,745.42)	28,909.00	6,007.30	30,843.72	-
FEMA 2009	390,875.52	11,909.50	-	-	402,785.02
FEMA 2010	105,956.93	90,216.83	2,628.15	(192,587.49)	958.12
FEMA 2006	(258.77)	-	3.88	258.77	(3.88)
PROJECT #63- GROVE	34,217.12	(13,103.07)	1,232.25	(40.05)	19,841.75
WETLAND RESTORATION	-	103,076.23	94,714.38	(2,016.57)	6,345.28
RED RIVER BASIN	25,000.00	-	30,079.66	4,699.58	(380.08)
S&D ACQUISITIONS	-	12.72	14,610.69	14,859.74	261.77
BLUE EAGLE LAKE	-	-	151.86	(16.52)	(168.38)
WATERSHED ENLARGE	(1,927.55)	-	10,186.96	12,478.43	363.92
BRRWD RRBC DETENTION	0.00	-	690.35	690.35	0.00
PROJECT #70	(19,731.47)	35,896.03	1,604.19	(104.97)	14,455.40
PROJECT #71	(319,407.12)	722,059.49	438,356.05	(29,374.37)	(65,078.05)
PROJECT #72	(6,053.17)	-	6,024.28	(1,044.75)	(13,122.20)
RED RIVER RETENTION	-	-	-	-	-
MAWQCP	(13,939.21)	175,225.88	83,236.07	(969.43)	77,081.17
PROJECT #75	(4,457.36)	-	12,896.91	(168.24)	(17,522.51)
PROJECT #76	(13,583.96)	15,000.00	5,351.45	3,935.41	-
REDETERMINE BENEFITS	92,535.24	2,244.04	26,747.28	(974.74)	67,057.26
WHISKY CRK EROSION	(10,534.31)	98,484.00	135,182.55	47,232.86	-
UPPER RED TMDL	(228.58)	19,407.25	19,304.57	(458.00)	(583.90)
PROJECT #73	7,085.41	171.86	2,642.62	(443.14)	4,171.51
PROJECT #74	4,705.01	10,055.86	14,471.21	(378.51)	(88.85)
RIM/WRP FLOOD INVEST	-	-	30,321.53	29,642.46	(679.07)
STAKKE LAKE	-	-	1,880.03	1,880.03	-
FEMA 2011	132,934.56	4,040.70	443.00	(4.43)	136,527.83
BARNESVILLE DRAINAGE		10,000.00	35,492.07	24,645.68	(846.39)
STRATEGIC PLANNING		4,000.00	15,383.11	11,383.11	-
STONY CREEK COMP PLAN		-	2,405.37	2,476.36	70.99
SABIN COULEE		-	3,463.36	3,466.45	3.09
BWSR TARGETED DRAINAGE		-	-	-	-
RWMP		-	-	-	-
PROJECT #77		10,089.94	3,242.09	(32.42)	6,815.43
WILKIN/OTTER JD #2		-	15,805.92	(156.31)	(15,962.23)
TOTAL	1,026,981.36	6,450,397.03	6,824,820.77	0.03	652,557.65