

BUFFALO-RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

BUFFALO - RED RIVER WATERSHED DISTRICT

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BUFFALO - RED RIVER WATERSHED DISTRICT
LIST OF OFFICIALS
DECEMBER 31, 2017

Governing Board

Gerald L. Van Amburg
Peter V Fjestad
Mark T. Anderson
John E. Hanson
Jay A. Leitch
Catherine L. Affield
Troy E. Larson

Office

Chair
Vice-chair
Treasurer
Secretary
Manager
Manager
Manager

Administration

Bruce E. Albright	Office Administrator
Julie M. Jerger	Administrative Assistant
Kathleen K. Fenger	Administrative Assistant
Danielle E. Scheffler	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 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, 2017, 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 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

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 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, 2017, and the changes in cash basis financial position 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 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 on pages 4-10 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 an opinion on the financial statements that collectively comprise the Buffalo-Red River Watershed District basic financial statements. The Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis 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 my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.



West Fargo, North Dakota
April 19, 2018

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, 2017, within the limitations of the District's 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 \$2,183,744, (Net Assets). Of this amount, \$2,183,744 (Unrestricted Net Assets) may be used to meet ongoing obligations.

* The District's total net assets decreased by \$364,985 as a result of the current year's operation on the modified cash basis.

* The District's total revenues from all sources were \$4,073,046. Total expenses were \$4,438,031.

* At the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$2,183,744, a net decrease of \$364,985 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 \$2,183,744 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		
Current and other assets	<u>2,183,744</u>	<u>2,548,729</u>
Capital assets (net of depreciation)		
Total Assets	<u>2,183,744</u>	<u>2,548,729</u>
	=====	=====
Liabilities		
Current Liabilities		
Long Term Liabilities		
Total Liabilities	_____	_____
	_____	_____
Net Assets		
Invested in Capital Assets Net		
Restricted		
Unrestricted	<u>2,183,744</u>	<u>2,548,729</u>
Total Net Assets	<u>2,183,744</u>	<u>2,548,729</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 \$364,985. Key elements of this decrease are as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services		
Operating Grants and Contributions	632,684	6,885,707
General Revenues		
Property taxes	1,283,102	1,274,588
Assessments	1,380,377	2,213,974
State Aid	140,786	149,815
Ditch transfer		
Interest and Other Revenue	<u>636,097</u>	<u>733,810</u>
Total Revenues	<u>4,073,046</u>	<u>11,257,894</u>
Expenses		
Project	3,955,772	8,940,777
Support Services:		
General Administrative Services	273,810	259,360
Interest	208,449	91,622
Depreciation-Unallocated		
Total Expenses	<u>4,438,031</u>	<u>9,291,759</u>
Increase in Net Assets	(364,985)	1,966,135

Taxes constituted 32%, special assessments 34%, grants 16% and other revenues made up the remaining 18% of the total revenues of the governmental activities of the District for the 2017 fiscal year. Projects comprise 89% of the District's governmental expenses, while support services account for 11%.

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, 2017, 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>2017</u>	<u>2016</u>
Buildings and Improvements	597,539	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 \$0. Of this amount, \$0 is long-term debt, the remaining \$0 is a current liability due within one year. The District had a net decrease in its existing debt obligation by \$108,000 from December 31, 2016.

	OUTSTANDING GENERAL LONG-TERM DEBT	
	<u>2017</u>	<u>2016</u>
Bonds Payable		108,000
Line of credit payable		
Total		<u>108,000</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- CASH BASIS
DECEMBER 31, 2017

ASSETS

Cash and investments 2,183,743.51

-

Total Assets 2,183,743.51

LIABILITIES

Accounts Payable

-

-

-

Total liabilities -

NET ASSETS

Unrestricted 2,183,743.51

Total net assets 2,183,743.51

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

BUFFALO-RED RIVER WATERSHED DISTRICT
 STATEMENT OF ACTIVITIES- CASH BASIS
 YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
General government	299,182.44			(299,182.44)
Project expense	3,930,400.15	-	632,684.40	(3,297,715.75)
				-
				-
				-
				-
				-
Interest expense	208,448.77			(208,448.77)
				-
Total Governmental Activi	4,438,031.36	-	632,684.40	(3,805,346.96)
	General Revenues			
	Property taxes			1,283,101.64
	Special assessments			1,380,376.77
	CWF			-
	State aid			140,786.24
	Interest income			107,613.27
	RRWMB share			15,065.31
	Other revenue			513,418.46
	Total General revenues			3,440,361.69
	Change in Net Assets			(364,985.27)
	Net Assets- January 1			2,548,728.78
	Net Assets- December 31			2,183,743.51

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

BUFFALO-RED RIVER WATERSHED DISTRICT
 BALANCE SHEET- GOVERNMENTAL FUNDS- CASH BASIS
 DECEMBER 31, 2017

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 49 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	109,131.61	1,301,583.19	151,182.77	(234,949.86)	856,795.80	2,183,743.51
						-
						-
						-
Total Assets	109,131.61	1,301,583.19	151,182.77	(234,949.86)	856,795.80	2,183,743.51
LIABILITIES						
Accounts Payable						-
						-
						-
Total liabilities	-	-	-	-	-	-
FUND BALANCE						
Restricted for Capital Projects						-
Restricted for Debt Service						-
Unassigned	109,131.61	1,301,583.19	151,182.77	(234,949.86)	856,795.80	2,183,743.51
Total fund balance	109,131.61	1,301,583.19	151,182.77	(234,949.86)	856,795.80	2,183,743.51

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- CASH BASIS
 YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 49 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	225,227.49	-	594,495.39	-	463,378.76	1,283,101.64
Special assessments				65,174.78	1,315,201.99	1,380,376.77
Grant income		-		479,825.35	152,859.05	632,684.40
State aid	24,707.98		65,310.73	-	50,767.53	140,786.24
CWF	-	-	-	-	-	-
Charges for services	2,700.00	-	-	-	-	2,700.00
Interest and other	34,623.44	28,873.57	7,980.65	25,995.84	535,923.54	633,397.04
Total Revenues	287,258.91	28,873.57	667,786.77	570,995.97	2,518,130.87	4,073,046.09
Current:						
General government	131,810.10	846.50	155,726.96	6,564.70	4,234.18	299,182.44
Engineering	355,456.32	-	9,542.10	53,287.84	1,438,910.42	1,857,196.68
Buy out costs			-	-	-	-
Capital outlay		-	-	580,615.79	1,492,587.68	2,073,203.47
Debt Service			-			
Principal					-	-
Interest expense	-			9,302.55	199,146.22	208,448.77
Total Expenditures	487,266.42	846.50	165,269.06	649,770.88	3,134,878.50	4,438,031.36
Excess revenues (expendit	(200,007.51)	28,027.07	502,517.71	(78,774.91)	(616,747.63)	(364,985.27)
Other Financing Sources (Uses):						
Transfers in	150,000.00	-		-	617,958.34	767,958.34
Transfers out		-	(603,661.50)	(73.44)	(164,223.40)	(767,958.34)
					-	-
Total other financing sourc	150,000.00	-	(603,661.50)	(73.44)	453,734.94	-
Net change in fund balance	(50,007.51)	28,027.07	(101,143.79)	(78,848.35)	(163,012.69)	(364,985.27)
Fund balance- beginning	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.49	2,548,728.78
Fund balance- ending	109,131.61	1,301,583.19	151,182.77	(234,949.86)	856,795.80	2,183,743.51

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, 2017

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

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 \$2,183,744. 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

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.

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

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 2017.

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, 2017, 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, 2017, 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, 2017, 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, 2017, the District had no debt securities investments.

NOTE 4 DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in liabilities reported in long-term debt:

	Payable 2016	Increases	Decreases	Payable 2017	Due Within One Year
Bonds Payable	108,000		108,000		

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, 2017, 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, 2017:

Project #02	35 921	Will be eliminated by specials.
Project #14	61 934	Will be eliminated by specials.
Project #28	1 423	Will be eliminated by specials.
Project #30	38 099	Will be eliminated by specials.
Project #34	86 461	Will be eliminated by specials.
Project #16	405	Will be eliminated by MSA 103D.
Project #39	125 852	Will be eliminated by specials/MSA 103D.
Project #21	145 243	Will be eliminated by specials.
Project #49	234 950	Will be eliminated by specials/grant.
Project #52	1 900	Will be eliminated by specials.
Project #56	191 025	Will be eliminated by specials/MSA 103D.
Project #61	164 783	Will be eliminated by specials.
Project #62	254	Will be eliminated by specials.
Project #50	3 631	Will be eliminated by specials.
Project #72	164	Will be eliminated by specials.
Project #65	7 991	Will be eliminated by specials.
Project #71	152 516	Will be eliminated by specials/grant.
Project #78	31 036	Will be eliminated by specials/bond.
Becker Ditch #5	40 887	Will be eliminated by specials.
Becker Ditch #7	4 033	Will be eliminated by specials.
Becker Ditch #9	30 638	Will be eliminated by specials.
Becker Ditch 10	638	Will be eliminated by specials.
Becker Ditch 19	5 195	Will be eliminated by specials.
Clay Ditch #03	5 807	Will be eliminated by specials.
Clay Ditch #09	3 914	Will be eliminated by specials.
Clay Ditch #16	35 404	Will be eliminated by specials.
Clay Ditch #17	8 512	Will be eliminated by specials.
Clay Ditch #31	4 828	Will be eliminated by specials.
Clay Ditch #32	486	Will be eliminated by specials.
Clay Ditch #33	8 911	Will be eliminated by specials.
Clay Ditch #51	24 384	Will be eliminated by specials.
Clay Ditch #54	758	Will be eliminated by specials.
Clay Ditch #58	21 637	Will be eliminated by specials.
Clay Ditch #60	3 283	Will be eliminated by specials.
Wilkin Ditch #1C	20 340	Will be eliminated by specials.
Wilkin Ditch #03	64 123	Will be eliminated by specials.
Wilkin Ditch #5A	3 767	Will be eliminated by specials.
Wilkin Ditch #6A	54 211	Will be eliminated by specials.
Wilkin Ditch #07	102 441	Will be eliminated by specials.
Wilkin Ditch #22	53 942	Will be eliminated by specials.
Wilkin Ditch #26	35 887	Will be eliminated by specials.
Wilkin Ditch #31	667	Will be eliminated by specials.
Wilkin Ditch #40	23 338	Will be eliminated by specials/BWSR.
Wilkin Ditch #41	185 700	Will be eliminated by specials/BWSR.
Wilkin Ditch #42	18 321	Will be eliminated by specials/BWSR.
Wilkin Ditch #43	192 058	Will be eliminated by specials/BWSR.
Wilkin Ditch #44	58 788	Will be eliminated by specials/BWSR.
MS 4 SWPPP	6 004	Will be eliminated by MSA 103D.
BWSR CWF	4 980	Will be eliminated by MSA 103D/grant.
Upper S Branch	67 996	Will be eliminated by FMDA/MSA 103D.
Whiskey creek	109 494	Will be eliminated by Wilkin CWF grant.
Wilkin/Otter JD 2	3	Will be eliminated by specials.
One Watershed	12 230	Will be eliminated by MSA 103D/BWSR.
Otter Tail Plng	95 973	Will be eliminated by MSA 103D/BWSR/EPA 319.

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2017

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
GENERAL	159,139.12	287,258.91	487,266.42	150,000.00	109,131.61
NEW OFFICE	0.00	2,174.82	112,503.36	110,328.54	-
RRWMB	69.45				69.45
CONSTRUCTION	1,273,556.12	28,873.57	846.50		1,301,583.19
MSA 103D	252,326.56	667,786.77	165,269.06	(603,661.50)	151,182.77
INSURANCE	6,978.87	14,146.42	21,482.50	357.21	0.00
BECKER DITCH #5	18,656.77	5,126.85	64,599.83	(70.78)	(40,886.99)
BECKER DITCH #6	3.99	0.09			4.08
BECKER DITCH #7	(3,901.74)		131.68		(4,033.42)
BECKER DITCH #9	(27,061.00)	20,226.72	23,803.76		(30,638.04)
BECKER DITCH#10	(2,793.23)	3,273.03	1,117.84		(638.04)
BECKER DITCH#15-PJ 23	20,922.66	15,416.01	6,228.11		30,110.56
BECKER DITCH#19	(3,423.50)	10,127.15	11,898.70		(5,195.05)
CLAY DITCH #03	(9,639.69)	15,242.85	14,628.41	3,218.13	(5,807.12)
CLAY DITCH #05	11,478.38	25,190.55	39,825.72	3,286.35	129.56
CLAY DITCH #09	(48,674.56)	47,820.91	3,653.76	593.57	(3,913.84)
CLAY DITCH #16	(21,253.89)		14,150.14		(35,404.03)
CLAY DITCH #17	(2,864.28)	4,655.14	10,302.67		(8,511.81)
CLAY DITCH #20	7,427.09	9,861.20	8,796.65		8,491.64
CLAY DITCH #21	35,369.22	530.12	17,548.85	2,808.41	21,158.90
CLAY DITCH #22	785.94	9,429.20	3,401.86	354.26	7,167.54
CLAY DITCH #23	9,594.01	5,518.82	3,294.75	988.39	12,806.47
CLAY DITCH #28	(10,070.90)	15,092.91	2,261.61	881.94	3,642.34
CLAY DITCH #31	(54,240.07)		2,816.22	52,228.16	(4,828.13)
CLAY DITCH #32	(52,214.86)	49,396.58	4,171.77	6,503.84	(486.21)
CLAY DITCH #33	(43,694.15)	39,759.30	7,789.21	2,812.73	(8,911.33)
CLAY DITCH #34	15,435.01	1,214.13	3,475.66	1,568.38	14,741.86
CLAY DITCH #35	44,486.22	876.70	7,546.82	687.00	38,503.10
CLAY DITCH #36	4,218.31	9,695.55	2,849.08	2,897.42	13,962.20
CLAY DITCH #39- PJ 7	39,005.79	1,586.65	14,687.84	805.89	26,710.49
CLAY DITCH #40	(15,189.99)	29,454.98	5,319.19	832.33	9,778.13
CLAY DITCH #49	823.63	10,113.13	10,453.66	632.51	1,115.61
CLAY DITCH #51	1,100.08	1,116.10	26,865.62	265.90	(24,383.54)
CLAY DITCH #53-PJ 47	15,771.62	40,436.77	34,055.46		22,152.93
CLAY DITCH #54	(1,098.08)	4,990.91	4,650.66		(757.83)
CLAY DITCH #57	5,451.10	146.93	33.78		5,564.25
CLAY DITCH #58	6,162.40	14,090.60	42,726.07	835.71	(21,637.36)
CLAY DITCH 59-PJ 48	(8,709.20)	72,383.71	5,716.33	8,347.95	66,306.13
CLAY DITCH #60	(17.42)		3,578.39	312.34	(3,283.47)
CLAY DITCH #63	19,702.76	604.59	1,276.08	223.09	19,254.36
CLAY DITCH #65- PJ 3	1,222.44	24,747.81	3,158.32	3,185.71	25,997.64
WILKIN DITCH#01A	36,941.37	2,022.56	2,228.00		36,735.93
WILKIN DITCH#01B	14,369.22	10,295.57	5,017.46		19,647.33
WILKIN DITCH#01C	(84,268.44)	68,611.51	4,683.54		(20,340.47)

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2017

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
WILKIN DITCH#03	(21,139.74)	3,326.64	46,309.47		(64,122.57)
WILKIN DITCH#04	40,625.21	3,353.52	42,311.90		1,666.83
WILKIN DITCH#07	64,263.08	51,613.19	218,316.93		(102,440.66)
WILKIN DITCH#12	26,082.32	1,758.89	4,613.73		23,227.48
WILKIN DITCH#15	76,740.74	52,881.07	46,051.72		83,570.09
WILKIN DITCH#22-PJ1	(110,624.91)	78,543.34	15,138.34	(6,721.89)	(53,941.80)
WILKIN DITCH#23	6,325.80	290.82	4,792.28		1,824.34
WILKIN DITCH#26	(43,273.62)	10,051.12	2,911.51	246.58	(35,887.43)
WILKIN DITCH#27	64,139.64	1,464.87	2,186.37		63,418.14
WILKIN DITCH#28	1,230.01	15,459.81	1,810.20		14,879.62
WILKIN DITCH#29	51,328.70	1,539.14	2,411.62		50,456.22
WILKIN DITCH#31	19,974.16	123.07	20,764.38		(667.15)
WILKIN DITCH#34	57,648.15	1,286.27	2,462.36		56,472.06
WILKIN DITCH#37	36,907.40	3,268.13	3,699.86		36,475.67
WILKIN DITCH#40	(17,258.01)	13,471.04	19,551.19		(23,338.16)
WILKIN DITCH#41	(71,372.30)	51,653.05	170,701.45	4,720.84	(185,699.86)
WILKIN DITCH#42-PJ 25	(27,729.15)	29,357.40	20,652.36	703.16	(18,320.95)
WILKIN DITCH#43	(10,854.01)	19,810.48	201,599.61	585.63	(192,057.51)
WILKIN DITCH#44-PJ 24	(2,979.24)	16,641.46	72,570.49	120.72	(58,787.55)
WILKIN DITCH#5A	(27,807.91)	25,249.98	1,694.91	485.42	(3,767.42)
WILKIN DITCH#02	48,018.77	4,520.95	10,045.49		42,494.23
WILKIN DITCH#06A	49,989.32	10,781.60	114,981.71		(54,210.79)
PROJECT #02- W 22	(5,555.91)	19,701.79	51,457.42	1,390.39	(35,921.15)
PROJECT #04	7,914.61	179.49			8,094.10
PROJECT #05	1,499.15	30.22	336.60		1,192.77
PROJECT #08	198.26		1,670.12	2,000.00	528.14
PROJECT #13	33.45		4,548.95	5,000.00	484.50
PROJECT #14	(139,700.55)	96,546.79	20,758.13	1,978.34	(61,933.55)
PROJECT #16	426.42		19,585.89	18,754.60	(404.87)
PROJECT #19	21,093.04	475.53	254.63		21,313.94
PROJECT #20	64,670.94	1,351.21	9,571.63	1,348.96	57,799.48
PROJECT #21	4,107.68		149,553.11	202.70	(145,242.73)
PROJECT #27-C 55	44,735.54	847.65	17,527.36	3,372.04	31,427.87
PROJECT #28- C 2	(10,569.71)	24,652.78	25,812.91	10,306.30	(1,423.54)
PROJECT #29	-		194.76	194.76	-
PROJECT #30-CW JDI	(25,212.79)	62,116.16	64,600.77	(10,402.05)	(38,099.45)
PROJECT #31	0.00		4,088.96	4,976.20	887.24
PROJECT #32	4,052.99	88.53	301.72		3,839.80
PROJECT #33	51,763.24	21,181.44	15,932.37		57,012.31
PROJECT #34	(68,404.10)		18,045.88	(11.28)	(86,461.26)
PROJECT #35	20,959.77	50,747.77	14,156.94	292.47	57,843.07
PROJECT #36	14,086.64	302.98	3,657.19	(51.84)	10,680.59
PROJECT #37	(19,618.38)	25,045.48	10,665.49	12,329.61	7,091.22
PROJECT #38	55,695.17	(84.50)	862.94	839.98	55,587.71

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2017

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
PROJECT #39	(115,071.74)	2,000.00	12,612.39	(168.32)	(125,852.45)
PROJECT #40	123,525.47	104,310.24	2,881.53	611.32	225,565.50
PROJECT #42	(3,762.37)	10,017.35	4,511.76	719.81	2,463.03
PROJECT #43	70,813.42	1,590.23	3,923.24		68,480.41
PROJECT #44	-				-
PROJECT #45	-				-
PROJECT #46- TLO	34,545.48	12,053.38	10,699.45		35,899.41
PROJECT #49-OAK	(156,101.51)	570,995.97	649,770.88	(73.44)	(234,949.86)
PROJECT #50	4,824.31	(8,091.97)	363.05		(3,630.71)
PROJECT #51	22,498.70	453.58	10,390.60	(51.26)	12,510.42
PROJECT #52	(3,059.41)	9,965.37	10,358.79	1,552.89	(1,899.94)
PROJECT #54	16,814.79	361.58	3,425.01	1,514.37	15,265.73
PROJECT #55	21,706.35	492.29		3.90	22,202.54
PROJECT #56	(698,624.88)	403,405.03	45,805.63	150,000.00	(191,025.48)
PROJECT #57	6,231.97	138.29	305.58	(7.52)	6,057.16
PROJECT #58	32,188.89	(2,964.27)	1,502.49		27,722.13
PROJECT #61	(233,516.85)	80,433.32	12,722.58	1,023.40	(164,782.71)
PROJECT #62	(12,890.08)		253.77	12,890.08	(253.77)
PROJECT #63- GROVE	19,441.03	2,471.92	1,828.02		20,084.93
PROJECT #64	6,181.68	9,919.42	1,176.36		14,924.74
PROJECT #65	1,047.72	5,011.99	14,050.64		(7,990.93)
PROJECT #67	579.12	1,112.19	729.57		961.74
PROJECT #68	4,433.86	92.86	1,178.23		3,348.49
PROJECT #70	(1,977.41)	10,171.96	106.76		8,087.79
PROJECT #71	7,818.31		160,333.97		(152,515.66)
PROJECT #72	(8,218.59)		300.30	8,355.14	(163.75)
PROJECT #73	1,849.05	41.93			1,890.98
PROJECT #74	(94.04)		3.17	97.21	(0.00)
PROJECT #75	(2,653.13)		89.54	2,742.67	(0.00)
PROJECT #77	-	28.50	7,182.00	7,153.50	-
PROJECT #78	(2,252.75)		28,783.41		(31,036.16)
HAY CREEK STINKING LAI	19,042.01	14.03	33,129.53	14,073.49	-
STAKKE LAKE	(0.00)		45.58	45.58	(0.00)
HAWLEY BUFF RIV RES	(0.00)	36.52	867.65	831.13	(0.00)
MEDIATION PT	-	15,065.31	39,598.35	24,533.04	-
SWPPP	-		6,004.33		(6,004.33)
STREAMBANK EROSION-PJ 2c	10,005.63	222.05	353.25		9,874.43
RIVERKEEPERS	0.39	0.01			0.40
RWMP COMP PLANNING	77,186.23	1,761.19			78,947.42
COE DIVERSION	-	20.76	5,764.29	5,743.53	-
CLAY COUNTY BUYOUT	20,186.35	457.15	42.00		20,601.50
UPPER S BRANCH BMP	(67,182.42)	74,025.15	74,838.60		(67,995.87)
BWSR CWF GRANT	-	84,857.03	89,837.50		(4,980.47)
FEMA 2009	(2,571.98)	2,164.71		2,571.98	2,164.71

BUFFALO- RED RIVER WATERSHED DISTRICT
 FUND EQUITY
 DECEMBER 31, 2017

	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
FEMA 2010	999.34			(999.34)	0.00
RRBC DIST STORAGE	-		406.83	406.83	-
FEMA 2011	151,223.19	2,221.56	7,579.16	(145,865.59)	-
WETLAND RESTORATION	33,429.63	595.44	19,771.45		14,253.62
RED RIVER BASIN	(0.00)		1,657.87	1,657.87	(0.00)
S&D ACQUISITIONS	55,688.44	2,223.45	56,487.27		1,424.62
WHISKEY CREEK ENHANC	(59,107.88)	45,208.98	95,595.51		(109,494.41)
WATERSHED ENLARGE	(25,319.74)		1,454.86	26,774.60	-
MAWQCP	(70,066.49)		2,589.59	72,656.08	-
WOLVERTON CREEK-PJ79	1,411,858.63	31,021.19	78,840.21		1,364,039.61
REDETERMINE BENEFITS	1,501.54			(1,501.54)	0.00
WILKIN SWCD CWF	18,474.12	851.27			19,325.39
TMDL	(5,609.16)		3,214.31	8,823.47	-
RIM/WRP FLOOD INVEST	46,739.48	1,789.36	585.80		47,943.04
RED RIVER STRESSOR	1,803.57	40.90			1,844.47
BARNESVILLE DRAINAGE	78,045.85	63,460.09	46,108.47		95,397.47
OTTER TAIL RIVER PLNG	(101,805.68)	141,988.02	136,155.32		(95,972.98)
STONY CREEK COMP PLAT	(20,120.73)	88,389.18	55,069.41		13,199.04
SABIN COULEE	3.23	0.07			3.30
ONE WATERSHED ONE PL	-		12,230.03		(12,230.03)
BUFFER INITIATIVE 2015	(14,048.67)	33,283.00	11,022.78		8,211.55
WILKIN/OTTER JD #2	7,803.51	413.23	8,219.70		(2.96)
TOTAL	2,548,728.78	4,073,046.09	4,438,031.36	0.00	2,183,743.52

BUFFALO RED WATERSHED DISTRICT
STATEMENT OF REVENUE AND EXPENSES
DECEMBER 31, 2017

	TOTAL 2017	TOTAL 2016	TOTAL 2015	TOTAL 2014	TOTAL 2013	TOTAL 2012	TOTAL 2011	TOTAL 2010
PROPERTY TAXES	1,283,101.64	1,274,587.73	1,121,771.87	1,009,651.09	1,061,908.96	956,871.85	883,938.79	741,417.76
SPECIAL ASSESSMENTS	1,380,376.77	2,213,974.20	1,848,660.15	1,317,978.24	897,032.19	1,087,776.51	650,048.53	658,589.81
GRANTS	632,684.40	6,866,635.85	1,577,144.45	3,870,066.93	4,826,296.36	3,786,660.06	5,216,137.72	11,512,776.49
STATE AID	140,786.24	149,814.99	134,153.22	109,042.36	107,865.35	97,341.95	160,775.20	126,384.47
RR/WMB SHARE	15,065.31	19,071.16	34,863.19	32,693.56	52,470.53	26,989.93	-	59,905.36
INTEREST	107,613.27	94,299.15	67,436.97	102,190.77	153,265.35	148,751.53	110,256.43	114,035.14
CHARGES FOR SERVICE	2,700.00	2,700.00	2,700.00	2,700.00	42,477.29	2,700.00	5,547.62	39,702.53
MOORHEAD	221,568.00	-	-	-	-	-	-	346,603.08
MISCELLANEOUS	289,150.46	636,810.98	51,900.02	6,074.08	91,241.44	282,236.77	219,769.23	492,959.49
TOTAL REVENUE	4,073,046.09	11,257,894.06	4,838,629.87	6,450,397.03	7,232,557.47	6,389,328.60	7,246,473.52	14,092,374.13
GENERAL GOVERNMENT	273,810.23	267,292.16	234,907.87	290,039.05	193,084.01	175,312.59	91,457.48	89,925.83
LEGAL FEES	25,372.21	41,512.38	63,504.87	49,665.65	58,187.84	43,401.86	61,318.32	206,020.68
ENGINEERING	1,857,196.68	2,226,935.37	1,479,876.45	1,476,402.59	1,648,979.04	1,507,813.94	1,049,746.09	1,173,919.85
OTHER	938,562.45	1,357,858.35	1,270,559.99	1,096,898.68	1,878,587.28	437,495.81	1,252,641.58	880,854.39
CAPITAL OUTLAY	1,134,641.02	5,197,052.07	2,233,743.08	3,706,704.49	4,252,528.04	3,259,223.76	5,101,495.69	8,265,461.65
BUY OUT COSTS	-	-	-	-	244,321.41	1,459,356.30	1,170,706.99	4,149,156.81
INTEREST FEES	208,448.77	201,109.11	170,952.53	205,110.31	158,434.64	172,145.66	102,575.59	106,201.73
TOTAL EXPENSES	4,438,031.36	9,291,759.44	5,453,544.79	6,824,820.77	8,434,122.26	7,054,749.92	8,829,941.74	14,871,540.94
EXCESS REVENUE (EXPEN	(364,985.27)	1,966,134.62	(614,914.92)	(374,423.74)	(1,201,564.79)	(665,421.32)	(1,583,468.22)	(779,166.81)
TRANSFERS IN	767,958.34	899,085.18	509,354.49	595,796.95	595,796.95	1,043,708.18	868,663.35	661,102.28
TRANSFERS OUT	(767,958.34)	(899,085.18)	(509,354.49)	(595,796.95)	(595,796.95)	(1,043,708.18)	(868,663.35)	(661,102.28)
BOND PROCEEDS	-	-	544,951.45	-	2,015,954.00	500,000.00	-	-
EXCESS REVENUE (EXPEN	(364,985.27)	1,966,134.62	(69,963.47)	(374,423.74)	814,389.21	(165,421.32)	(1,583,468.22)	(779,166.81)
BEGINNING FUND BALANC	2,548,728.78	582,594.18	652,557.65	1,026,981.39	212,592.36	378,013.68	1,961,481.90	2,740,648.71
ENDING FUND BALANCE	2,183,743.51	2,548,728.80	582,594.18	652,557.65	1,026,981.57	212,592.36	378,013.68	1,961,481.90

April 19, 2018

Harold Rotunda, CPA
West Fargo, ND

This representation letter is provided in connection with your audit of the financial statements of the Buffalo Red River Watershed District which comprise the respective financial position of the governmental activities, each major fund, and the aggregated remaining fund information as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 1, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any,

received from funding sources.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the District and involves:

- * Management

- * Employees who have significant roles in internal control, or

- * Others where the fraud could have a material effect on the financial statements

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.

21. We have a process to track the status of audit findings and recommendations.

22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or equity.

25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of

noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statements amounts or other financial data significant to the audit objectives.

28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29. There are no violations or possible violations of budget ordinances, laws and regulations including those pertaining to adopting, approving, and amending budgets, provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

31. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

34. The financial statements properly classify all funds and activities.

35. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are

presented as major are particularly important to financial statement users.

36. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

38. Provisions for uncollectible receivables have been properly identified and recorded.

39. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

40. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

41. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

42. Special and extraordinary items are appropriately classified and reported.

43. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

44. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and if applicable, depreciated.

45. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.

46. We have appropriately disclosed the policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

47. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

48. We acknowledge our responsibility for the required supplementary information. The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:-----

Signature:-----