BUFFALO-RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

BUFFALO - RED RIVER WATERSHED DISTRICT

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BUFFALO - RED RIVER WATERSHED DISTRICT
LIST OF OFFICIALS
DECEMBER 31, 2016

Governing Board

	Office
Gerald L. Van Amburg	Chair
Peter V Fjestad	Vice-chair
Mark T. Anderson	Treasurer
John E. Hanson	Secretary
Breanna L. Kobiela	Manager (1-1 to 8-31)
Jay A. Leitch	Manager (11-28 TO 12-31)
Catherine L. Affield	Manager
Troy E. Larson	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, 2016, 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, 2016, 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.

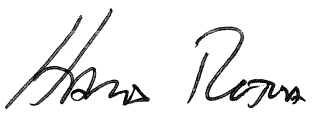
Other Matters

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, 2017

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, 2016, 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 $2,548,729,(Net Assets). Of this amount, $2,548,729 (Unrestricted Net Assets) may be used to meet ongoing obligations.

* The District's total net assets increased by $1,966,135 as a result of the current year's operation on the modified cash basis.

* The District's total revenues from all sources were $11,455,993. Total expenses were $9,489,858.

* At the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of $2,548,729, a net increase of $1,966,135 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.

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.

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 $2,548,729 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	2016	2015
Current and other assets	2,548,729	582,594
Capital assets (net of depreciation)		
Total Assets	2,548,729	582,594
Liabilities		
Current Liabilities		
Long Term Liabilities		
Total Liabilities		
Net Assets		
Invested in Capital Assets Net		
Restricted		
Unrestricted	2,548,729	582,594
Total Net Assets	2,548,729	582,594

Governmental activities decreased the District's net assets resulting from modified cash basis transactions by $69,963. Key elements of this decrease are as follows:

CHANGES IN NET ASSETS- MODIFIED CASH BASIS

	2016	2015
Revenues		
Program Revenues:		
Charges for Services		
Operating Grants and Contributions	6,885,707	1,577,144
General Revenues		
Property taxes	1,274,588	1,121,772
Assessments	2,213,974	1,848,660
State Aid	149,815	134,153
Ditch transfer		544,951
Interest and Other Revenue	156,901	156,901
Total Revenues	11,257,894	5,383,581
Expenses		
Project	8,940,777	5,021,905
Support Services:		
General Administrative Services	259,360	260,688
Interest	91,622	170,953
Depreciation-Unallocated		
Total Expenses	9,291,759	5,435,545
Increase in Net Assets	1,966,135	(69,963)

Taxes constituted 11%, special assessments 20%, grants 61% and other revenues made up the remaining 7% of the total revenues of the governmental activities of the District for the 2016 fiscal year. Projects comprise 96% of the District's governmental expenses, while support services account for 4%.

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.

Capital Asset and Debt administration

Capital Assets

As of December 31, 2016, 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)

	2016	2015
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 $108,000. Of this amount, $0 is long-term debt, the remaining $108,000 is a current liability due within one year. The District had a net decrease in its existing debt obligation by $101,000 from December 31, 2015.

OUTSTANDING GENERAL LONG-TERM DEBT

	2016	2015
Bonds Payable	108,000	212,000
Line of credit payable		
Total	108,000	212,000

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, 2016

ASSETS	
Cash and investments	2,548,728.78
Accounts receivable	
Taxes receivable	
Intergovernmental receivable	
Due from County Treasurer	
Capital assets (net of accumulated depreciati	-
Total Assets	2,548,728.78
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	2,548,728.78
Total net assets	2,548,728.78

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, 2016

		Program Revenues		Net (expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
General government	259,359.83			(259,359.83)
Project expense	8,940,776.93	-	5,485,707.01	(3,455,069.92)
Buy out costs	-			-
				-
				-
				-
				-
				-
Interest expense	91,622.68			(91,622.68)
				-
Total Governmental Activi	9,291,759.44	-	5,485,707.01	(3,806,052.43)

General Revenues	
Property taxes	1,274,587.73
Special assessments	2,213,974.20
CWF	1,400,000.00
State aid	149,814.99
Interest income	94,299.15
RRWMB share	-
Other revenue	639,510.98
Total General revenues	5,772,187.05
Change in Net Assets	1,966,134.62
Net Assets- January 1	582,594.18
Net Assets- December 31	2,548,728.80

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

BUFFALO-RED RIVER WATERSHED DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS- CASH BASIS
DECEMBER 31, 2016

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 49 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.49	2,548,728.78
Accounts receivable						-
Taxes receivable						-
Intergovernmental receivable						-
Due from County Treasurer						-
Total Assets	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.49	2,548,728.78
LIABILITIES						
Accounts Payable						-
Line of credit					-	-
Deferred revenue						-
Total liabilities	-	-	-	-	-	-
FUND BALANCE						
Restricted for Capital Projects						-
Restricted for Debt Service						-
Unassigned	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.49	2,548,728.78
Total fund balance	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.49	2,548,728.78

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, 2016

	GENERAL FUND	CONSTRUCTION FUND	103 D FUND	PROJECT 49 FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	224,979.76	-	561,345.99	-	488,261.98	1,274,587.73
Special assessments				50,705.75	2,163,268.45	2,213,974.20
Grant income		-		4,724,697.30	761,009.71	5,485,707.01
State aid	26,352.46		66,053.43	-	57,409.10	149,814.99
CWF	-	-	-	-	1,400,000.00	1,400,000.00
Charges for services	2,700.00	-	-	-	-	2,700.00
Interest and other	135,532.15	30,385.68	(19,983.04)	518,823.80	66,351.54	731,110.13
Total Revenues	389,564.37	30,385.68	607,416.38	5,294,226.85	4,936,300.78	11,257,894.06
Current:						
General government	84,551.93	1,266.15	162,756.25	10,785.50	-	259,359.83
Engineering	310,160.32	-	1,813.25	23,786.41	1,891,175.39	2,226,935.37
Buy out costs			-	-	-	-
Capital outlay		-	-	5,316,542.63	1,397,298.93	6,713,841.56
Debt Service			-			
Principal					-	-
Interest expense	-			12,004.35	79,618.33	91,622.68
Total Expenditures	394,712.25	1,266.15	164,569.50	5,363,118.89	3,368,092.65	9,291,759.44
Excess revenues (expendit	(5,147.88)	29,119.53	442,846.88	(68,892.04)	1,568,208.13	1,966,134.62
Other Financing Sources (Uses):						
Transfers in	-	-		9,757.17	814,691.20	824,448.37
Transfers out		-	(207,206.64)	-	(617,241.73)	(824,448.37)
Wilkin ditch transfer					-	-
Total other financing sourc	-	-	(207,206.64)	9,757.17	197,449.47	-
Net change in fund balanc	(5,147.88)	29,119.53	235,640.24	(59,134.87)	1,765,657.60	1,966,134.62
Fund balance- beginning	164,287.00	1,244,436.59	16,686.32	(96,966.64)	(745,849.09)	582,594.18
Fund balance- ending	159,139.12	1,273,556.12	252,326.56	(156,101.51)	1,019,808.51	2,548,728.80

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, 2016

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.

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.

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.

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 $582,594. 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.

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 2016.

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, 2016, 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, 2016, 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, 2016, the District had no debt securities investments.

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, 2016, the District had no debt securities investments.

NOTE 4 DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term debt:

	Payable 2015	Increases	Decreases	Payable 2016	Due Within One Year
Bonds Payable	212,000		104,000	108,000	108,000

BONDS PAYABLE
Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Limited Tax Bonds-2012	02/01/2017	1.50%	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, 2016, 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.

NOTE 6. DEFICIT FUND BALANCES

The following fund balances had deficits at December 31, 2016:

Project #30	25 213	Will be eliminated by specials.
Project #02	5 556	Will be eliminated by specials.
Project #14	139 701	Will be eliminated by specials.
Project #34	68 404	Will be eliminated by specials.
Project #28	10 570	Will be eliminated by specials.
Project #37	19 618	Will be eliminated by specials.
Project #39	115 072	Will be eliminated by specials/FEMA.
Project #42	3 762	Will be eliminated by specials.
Project #49	156 102	Will be eliminated by specials/grant.
Project #52	3 059	Will be eliminated by specials.
Project #56	698 625	Will be eliminated by specials/MSA 103D.
Project #61	233 517	Will be eliminated by specials.
Project #62	12 890	Will be eliminated by specials.
Project #70	1 977	Will be eliminated by specials.
Project #72	8 219	Will be eliminated by specials.
Project #74	94	Will be eliminated by BRRWD.
Project #75	2 653	Will be eliminated by reassignment.
Project #78	2 253	Will be eliminated by specials/bond.
Becker Ditch #7	3 902	Will be eliminated by specials.
Becker Ditch #9	27 061	Will be eliminated by specials.
Becker Ditch 10	2 793	Will be eliminated by specials.
Becker Ditch 19	3 423	Will be eliminated by specials.
Clay Ditch #9	48 675	Will be eliminated by specials.
Clay Ditch #28	10 071	Will be eliminated by specials.
Clay Ditch #31	54 240	Will be eliminated by specials.
Clay Ditch #32	52 215	Will be eliminated by specials.
Clay Ditch #33	43 694	Will be eliminated by specials.
Clay Ditch #40	15 190	Will be eliminated by specials.
Clay Ditch #16	21 254	Will be eliminated by specials.
Clay Ditch #03	9 370	Will be eliminated by specials.
Clay Ditch #54	1 098	Will be eliminated by specials.
Clay Ditch #17	2 864	Will be eliminated by specials.
Clay Ditch #59	8 709	Will be eliminated by specials.
Clay Ditch #60	17	Will be eliminated by specials.
Wilkin Ditch 5A	27 808	Will be eliminated by specials.
Wilkin Ditch #22	110 625	Will be eliminated by specials.
Wilkin Ditch #1C	84 268	Will be eliminated by specials.
Wilkin Ditch #26	43 274	Will be eliminated by specials.
Wilkin Ditch #40	17 258	Will be eliminated by specials.
Wilkin Ditch #41	71 372	Will be eliminated by specials.
Wilkin Ditch #43	10 854	Will be eliminated by specials.
Wilkin Ditch #03	21 140	Will be eliminated by specials.
Wilkin Ditch #42	27 729	Will be eliminated by specials.
Wilkin Ditch #44	2 979	Will be eliminated by specials.
Upper Red TMDL	5 609	Will be eliminated by MPCA/BRRWD.
FEMA 2009	2 572	Will be eliminated by transfers.
Upper S Branch	67 182	Will be eliminated by FMDA.
Whiskey creek	59 108	Will be eliminated by Wilkin CWF.
MAWQCP	70 066	Will be eliminated by MSA 103D.
Watershed enlarge	25 320	Will be eliminated by MSA 103D/BWSR.
Buffer initiative	14 049	Will be eliminated by MSA 103D.
Otter Tail Plng	101 806	Will be eliminated by MSA 103D/BWSR/EPA 319.
Stony Crk Comp Pln	20 121	Will be eliminated by MSA 103D/FMDA.

BUFFALO- RED RIVER WATERSHED DISTRICT
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	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
GENERAL	164,287.00	389,564.37	394,712.25		159,139.12
NEW OFFICE	(5,595.18)	101,208.42	109,486.43	13,873.19	0.00
RRWMB	69.45				69.45
CONSTRUCTION	1,244,436.59	30,385.68	1,266.15		1,273,556.12
MSA 103D	16,686.32	607,416.38	164,569.50	(207,206.64)	252,326.56
INSURANCE	6,543.59	20,264.51	19,829.23		6,978.87
BECKER DITCH #5	3,576.48	10,480.48	4,803.47	9,403.28	18,656.77
BECKER DITCH #6	3.89	0.10			3.99
BECKER DITCH #7	(3,077.86)		823.88		(3,901.74)
BECKER DITCH #9	(4,773.67)	7,507.84	29,795.17		(27,061.00)
BECKER DITCH#10	(5,184.98)	3,737.32	1,345.57		(2,793.23)
BECKER DITCH#15-PJ 23	15,815.93	15,125.75	10,019.02		20,922.66
BECKER DITCH#19	(10,876.63)	10,978.79	3,525.66		(3,423.50)
CLAY DITCH #03	8,594.20	14,892.80	36,540.66	3,413.97	(9,639.69)
CLAY DITCH #05	5,684.38	23,919.24	18,125.24		11,478.38
CLAY DITCH #09	(176,842.95)	75,067.71	28,774.94	81,875.62	(48,674.56)
CLAY DITCH #16	4,376.15		25,630.04		(21,253.89)
CLAY DITCH #17	11,606.19	120.37	14,590.84		(2,864.28)
CLAY DITCH #20	12,377.07	227.97	5,177.95		7,427.09
CLAY DITCH #21	41,982.96	1,026.02	17,272.02	9,632.26	35,369.22
CLAY DITCH #22	10,083.22	91.68	9,388.96		785.94
CLAY DITCH #23	11,241.17	8,641.70	10,288.86		9,594.01
CLAY DITCH #28	(13,550.29)	14,864.96	11,385.57		(10,070.90)
CLAY DITCH #31	(57,011.87)	10,086.58	7,314.78		(54,240.07)
CLAY DITCH #32	(183,079.76)	74,567.61	21,678.54	77,975.83	(52,214.86)
CLAY DITCH #33	(121,475.15)	50,197.60	21,557.04	49,140.44	(43,694.15)
CLAY DITCH #34	5,644.72	19,258.90	9,468.61		15,435.01
CLAY DITCH #35	43,752.23	1,096.33	8,347.10	7,984.76	44,486.22
CLAY DITCH #36	612.19	10,154.01	10,443.62	3,895.73	4,218.31
CLAY DITCH #39- PJ 7	32,515.67	21,594.97	20,570.46	5,465.61	39,005.79
CLAY DITCH #40	(5,625.42)	69.18	11,983.08	2,349.33	(15,189.99)
CLAY DITCH #49	(3,816.26)	10,031.51	5,677.11	285.49	823.63
CLAY DITCH #51	(304.39)	5,023.38	4,606.22	987.31	1,100.08
CLAY DITCH #53-PJ 47	15,919.46	32,870.45	33,018.29		15,771.62
CLAY DITCH #54	(2,372.28)	4,898.77	3,624.57		(1,098.08)
CLAY DITCH #57	7,095.92	153.88	1,798.70		5,451.10
CLAY DITCH #58	11,022.58	241.70	10,090.91	4,989.03	6,162.40
CLAY DITCH 59-PJ 48	32,144.17	29,435.32	99,489.80	29,201.11	(8,709.20)
CLAY DITCH #60	11,607.21	154.70	11,779.33		(17.42)
CLAY DITCH #63	13,661.78	15,167.07	9,126.09		19,702.76
CLAY DITCH #65- PJ 3	25,914.41	217.32	38,624.64	13,715.35	1,222.44
WILKIN DITCH#01A	18,309.67	19,570.97	939.27		36,941.37
WILKIN DITCH#01B	15,130.02	357.12	1,117.92		14,369.22
WILKIN DITCH#01C	14,853.04	5,675.02	38,100.69	(66,695.81)	(84,268.44)
WILKIN DITCH#03	60,514.28	99,430.24	181,084.26		(21,139.74)
WILKIN DITCH#04	14,944.26	73,284.55	47,603.60		40,625.21

BUFFALO- RED RIVER WATERSHED DISTRICT
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	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
WILKIN DITCH#07	32,435.37	74,632.04	42,804.33		64,263.08
WILKIN DITCH#12	2,708.37	24,479.74	1,105.79		26,082.32
WILKIN DITCH#15	32,340.87	50,121.46	5,721.59		76,740.74
WILKIN DITCH#22-PJ1	(123,354.87)	70,885.48	79,634.37	21,478.85	(110,624.91)
WILKIN DITCH#23	14,385.70	20,076.71	28,136.61		6,325.80
WILKIN DITCH#26	(45,671.48)	9,886.24	7,488.38		(43,273.62)
WILKIN DITCH#27	16,974.63	51,207.97	4,042.96		64,139.64
WILKIN DITCH#28	(26,724.73)	29,812.51	1,857.77		1,230.01
WILKIN DITCH#29	26,661.97	25,542.73	876.00		51,328.70
WILKIN DITCH#31	30,454.36	644.99	11,125.19		19,974.16
WILKIN DITCH#34	103,862.18	3,944.50	16,809.62	(33,348.91)	57,648.15
WILKIN DITCH#37	17,250.74	48,863.41	29,206.75		36,907.40
WILKIN DITCH#40	(1,572.14)	15,221.64	30,907.51		(17,258.01)
WILKIN DITCH#41	(80,429.42)	48,240.74	40,682.43	1,498.81	(71,372.30)
WILKIN DITCH#42-PJ 25	14,214.45	265.09	42,208.69		(27,729.15)
WILKIN DITCH#43	(7,655.91)	18,916.47	22,114.57		(10,854.01)
WILKIN DITCH#44-PJ 24	17,208.56	14,415.69	34,603.49		(2,979.24)
WILKIN DITCH#5A	(59,787.07)	40,143.77	8,164.61		(27,807.91)
WILKIN DITCH#02	13,286.21	47,452.04	12,719.48		48,018.77
WILKIN DITCH#06A	73,544.00	76,078.53	99,633.21		49,989.32
PROJECT #02- W 22	53,177.13	446.72	59,179.76		(5,555.91)
PROJECT #04	8,688.22	192.18	965.79		7,914.61
PROJECT #05	1,883.32	39.72	423.89		1,499.15
PROJECT #08	328.84	-	3,130.58	3,000.00	198.26
PROJECT #13	725.35	-	2,691.90	2,000.00	33.45
PROJECT #14	6,256.19	923.31	153,361.43	6,481.38	(139,700.55)
PROJECT #16	100.96	102.60	20,847.34	21,070.20	426.42
PROJECT #19	21,000.66	1,791.63	1,699.25		21,093.04
PROJECT #20	38,429.94	1,692.51	15,221.71	39,770.20	64,670.94
PROJECT #21	16,801.59	432.90	19,502.72	6,375.91	4,107.68
PROJECT #27-C 55	23,988.27	14,459.12	7,189.88	13,478.03	44,735.54
PROJECT #28- C 2	9,221.39	24,427.61	50,315.08	6,096.37	(10,569.71)
PROJECT #29	2,349.55	-	10,379.60	8,030.05	-
PROJECT #30-CW JD1	(41,012.79)	71,577.65	55,777.65		(25,212.79)
PROJECT #31	3,737.98	37.64	8,949.11	5,173.49	0.00
PROJECT #32	(4,581.59)	8,926.26	291.68		4,052.99
PROJECT #33	(181.54)	64,557.57	12,612.79		51,763.24
PROJECT #34	(138,989.98)	86,670.09	16,084.21		(68,404.10)
PROJECT #35	(13,458.13)	49,349.42	17,025.10	2,093.58	20,959.77
PROJECT #36	6,425.42	5,431.92	5,003.97	7,233.27	14,086.64
PROJECT #37	(57,823.42)	84,230.63	70,573.00	24,547.41	(19,618.38)
PROJECT #38	7,670.07	1,676.82	15,767.71	62,115.99	55,695.17
PROJECT #39	(311,422.10)	201,933.24	27,946.20	22,363.32	(115,071.74)
PROJECT #40	9,103.46	132,287.41	17,865.40		123,525.47
PROJECT #42	(42,835.36)	45,136.97	9,715.85	3,651.87	(3,762.37)
PROJECT #43	26,988.62	48,691.14	4,866.34		70,813.42

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	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
PROJECT #44	-				-
PROJECT #45	-				-
PROJECT #46- TLO	1,026.90	44,543.41	11,024.83		34,545.48
PROJECT #49-OAK	(96,966.64)	5,294,226.85	5,363,118.89	9,757.17	(156,101.51)
PROJECT #50	4,952.40	118.05	246.14		4,824.31
PROJECT #51	17,837.94	568.68	2,718.01	6,810.09	22,498.70
PROJECT #52	(10,848.06)	9,955.90	5,120.27	2,953.02	(3,059.41)
PROJECT #54	13,225.87	485.10	3,624.09	6,727.91	16,814.79
PROJECT #55	12,803.76	9,305.08	402.49		21,706.35
PROJECT #56	(546,601.12)	100,149.83	252,173.59		(698,624.88)
PROJECT #57	5,765.61	154.89	687.74	999.21	6,231.97
PROJECT #58	31,634.52	1,280.62	726.25		32,188.89
PROJECT #61	(292,796.91)	99,585.00	40,304.94		(233,516.85)
PROJECT #62	(11,790.94)		1,099.14		(12,890.08)
PROJECT #63- GROVE	21,028.28	7,323.44	8,910.69		19,441.03
PROJECT #64	7,035.15	1,002.66	1,856.13		6,181.68
PROJECT #65	911.00	3,227.83	3,091.11		1,047.72
PROJECT #67	(12,771.85)	15,184.14	1,833.17		579.12
PROJECT #68	(4,355.27)	10,324.19	1,535.06		4,433.86
PROJECT #70	(1,690.70)		286.71		(1,977.41)
PROJECT #71	10,723.31	233.88	3,138.88		7,818.31
PROJECT #72	(1,876.38)		6,342.21		(8,218.59)
PROJECT #73	1,804.96	44.09			1,849.05
PROJECT #74	(91.29)		2.75		(94.04)
PROJECT #75	(97,593.78)	-	5,104.07	100,044.72	(2,653.13)
PROJECT #77	(8,667.07)	13,593.02	8,377.33	3,451.38	-
PROJECT #78			2,252.75		(2,252.75)
HAY CREEK STINKING LA	49,272.94	2,103.68	32,334.61		19,042.01
UPPER RED TMDL	(0.00)	-	6,237.01	6,237.01	(0.00)
HAWLEY BUFF RIV RES	(254,834.30)	313,060.41	66,652.12	8,426.01	(0.00)
MEDIATION PT	(1,086.16)	19,071.16	56,690.11	38,705.11	-
SWPPP	(0.00)	-	18,577.64	18,577.64	-
STREAMBANK EROSION-PJ 2(	9,853.12	240.51	88.00		10,005.63
RIVERKEEPERS	0.38	0.01			0.39
RWMP COMP PLANNING	75,325.67	1,860.56			77,186.23
COE DIVERSION	2,054.48	20.41	34,559.45	32,484.56	-
CLAY COUNTY BUYOUT	19,746.67	481.68	42.00		20,186.35
UPPER S BRANCH BMP	(16,759.55)	6.17	50,429.04		(67,182.42)
BWSR CWF GRANT	-				-
FEMA 2009	341,712.85		2,571.98	(341,712.85)	(2,571.98)
FEMA 2010	975.51	23.83			999.34
BLUE EAGLE LAKE	0.00	-	283.88	283.88	-
FEMA 2011	149,532.09	3,621.60	1,930.50		151,223.19
WETLAND RESTORATION	48,301.24	2,715.04	17,586.65		33,429.63
RED RIVER BASIN	(121.07)	-	667.84	788.91	(0.00)
S&D ACQUISITIONS	(0.00)	73,868.04	18,179.60		55,688.44

BUFFALO- RED RIVER WATERSHED DISTRICT
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	BEGINNING BALANCE	REVENUES	EXPENSES	TRANSFERS IN (OUT)	ENDING BALANCE
WHISKEY CREEK ENHANC	-	-	59,107.88		(59,107.88)
WATERSHED ENLARGE	(2,167.59)		23,152.15		(25,319.74)
MAWQCP	(56,673.19)	50,488.31	63,881.61		(70,066.49)
WOLVERTON CREEK	42,420.98	1,456,307.83	86,870.18		1,411,858.63
REDETERMINE BENEFITS	198,098.71	1,612.14	110.60	(198,098.71)	1,501.54
WILKIN SWCD CWF	-	18,905.62	431.50		18,474.12
TMDL	(3,424.88)	12,981.17	15,165.45		(5,609.16)
RIM/WRP FLOOD INVEST	(164.95)	49,440.56	2,536.13		46,739.48
RED RIVER STRESSOR	(21,842.00)	24,034.07	388.50		1,803.57
BARNESVILLE DRAINAGE	270.30	73,542.71	35,767.16	40,000.00	78,045.85
OTTER TAIL RIVER PLNG	(448.69)	120,825.96	222,182.95		(101,805.68)
STONY CREEK COMP PLAI	(2,272.82)	73,487.75	91,335.66		(20,120.73)
SABIN COULEE	3.15	0.08			3.23
LAKE FLORA- BECKER 7	(164.29)	-	4.95	169.24	-
BUFFER INITIATIVE 2015	-		14,048.67		(14,048.67)
WILKIN/OTTER JD #2	(1,837.46)	12,982.02	3,341.05		7,803.51
TOTAL	582,594.18	11,257,894.06	9,291,759.44	(0.02)	2,548,728.78