Middle-Snake-Tamarac Rivers

Watershed District

ANNUAL REPORT

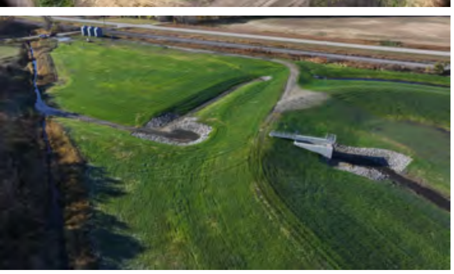
Middle-Snake-Tamarac Rivers Watershed District

YEAR IN REVIEW

Letter from President

President Bill Petersen
Serving the District since 2017

Greetings to the citizens of the Middle Snake Tamarac Rivers Watershed District and other interested parties. As another year passes, the District continues to reflect on our progress and remains focused on improving services to the communities and counties within the watershed.



Several projects remain underway, though securing funding through the state legislature continues to present challenges. Phase 2 of the Newfolden Impoundment Project is substantially complete, with some finishing work to occur in 2026 to complete the project.

The Nelson Slough Project secured additional funding in 2025 through the Flood Hazard Mitigation (FHM) Grant Assistance Program, building on support previously received from the Lessard-Sams Outdoor Heritage Council and the Red River Watershed Management Board in 2023 and 2024. Design and engineering efforts continue, and the project is anticipated to be let for bids in 2026.

Phase 1 of the Swift Coulee Project was completed in 2025 with support from Stream Restoration and One Watershed One Plan funding through the Board of Water and Soil Resources. Discussions with landowners regarding Phase 2 are now underway.

District staff also remained active in maintaining the District's ditch systems. Watershed Ditch #8 was established and benefits were set. Reestablishment of records hearings for Judicial Ditch #14 and Judicial Ditch #25-2 allowed JD #14 to be cleaned to its designed grade and crossing culverts lowered to the correct elevations. Additional ditches within the District underwent sediment removal and maintenance.

The District also completed a renovation of its office in 2025. During construction, staff temporarily relocated to Alvarado while improvements were made, including handicap accessibility, a larger meeting room, additional storage, and individual offices. The project was led by district staff under the direction of the Board of Managers in partnership with YHR Partners of Moorhead and Klopp Construction of Argyle.

In July 2025, the District welcomed Robert Adam to the staff following his graduation from North Dakota State University with a Bachelor of Science degree in Geology.

The District extends its appreciation to our staff, Board of Managers, partner agencies, and the landowners and residents within the watershed for their continued cooperation and support. Through these partnerships, we remain committed to responsible water management and serving the communities within the Middle Snake Tamarac Rivers Watershed District

MSTRWD Mission and Background

- **Our Mission**

To manage the District's resources for the efficient movement of water across the District for purposes of reducing flooding, providing agricultural drainage and to protect and improve water quality.

- **Background**

After a landowner petition, the Middle River Snake River Watershed District was established by an order of the Minnesota Board of Water and Soil Resources (BWSR) on August 28, 1970. The purpose was to address water resource management issues and to alleviate flooding in the Red River Valley. The district comprised 1,020 square miles. Since its establishment, the district has worked primarily to develop projects that manage surface water.

In 1973, jurisdiction over the judicial drainage systems within the district - Marshall County Ditch #1, Marshall County Ditch #4, Marshall County Ditch #39 and Lateral #7 of Marshall County Ditch #44 are some of the systems that have been transferred to the Watershed District. In 1974, the district adopted rules that regulate certain works in the District. These rules have been modified in 1978, 1999, 2004, 2018 and 2021.

In 1977, the Board entered a Joint Powers Agreement with eight other watershed districts in the Red River Basin to form the Lower Red River Watershed Management Board. That name was changed in 1991 to the Red River Watershed Management Board. The Red River Watershed Management Board currently consists of seven watershed districts. It has its own taxing authority, for which it contributes funds towards watershed flood damage reduction projects.

In April 2002, at the request of residents, the Marshall County Board of Commissioners successfully petitioned BWSR to add the Tamarac River Watershed area to the Middle River Snake River Watershed District jurisdiction.

The petition also requested two changes: increasing the number of District Managers from 5 to 7 members, and a new name: the Middle-Snake-Tamarac Rivers Watershed District. In September 2002, BWSR granted the petition, which increased the area of the Watershed District by about 44%. No legal drainage systems in the Tamarac Rivers Watershed were added.

Today, the District consists of approximately 1,476 square miles in Marshall, Polk, Pennington, Kittson, and Roseau Counties. The boundary of the district has been modified five times by boundary change proceedings. The district includes the drainage basin of the Snake River (approximately 750 square miles), the Middle River, a tributary of the Snake River, (approximately 295 square miles), the Tamarac River sub-watershed (approximately 431 square miles), and the drainage basins of several legal drainage systems draining directly into the Red River of the North.

In 2003, both the MSTRWD and the Two Rivers Watershed District successfully petitioned BWSR to change the district boundaries to follow a hydrologic boundary. The net effect of this petition was to move approximately 14 square miles into the Two Rivers Watershed District and to move about 2 square miles into the MSTRWD.

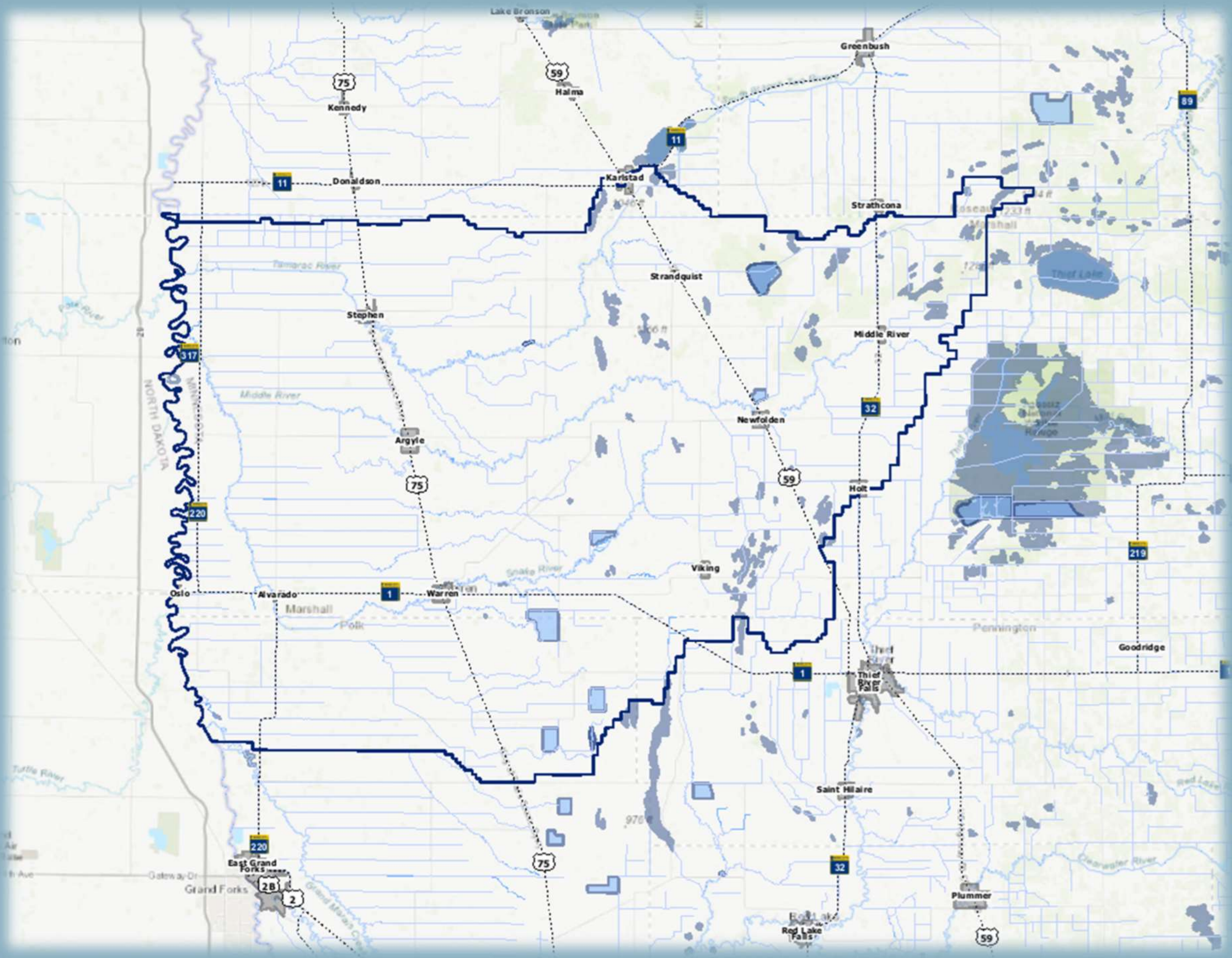
In 2004, the District petitioned BWSR to amend the 1994 Watershed Management Plan to include the Tamarac River Watershed area in the district. A Hearing on the proposed Amended Plan was held in December 2004. In January 2005, the Board approved the Amended Plan. The Amended Plan was published in May of 2005.

In 2010, the Polk County Commissioners gave jurisdiction of Polk County Ditches #43 and #44 (approximately 16 square miles in Angus Township) to the District. This increased the total miles of the legal drainage system in the district to 336.

In 2020, the District was presented with plaques for 50 years of Watershed Management by the Minnesota Association of Watershed Districts and the Board of Water and Soil Resources.

In 2021, the District began the planning process for a new Comprehensive Watershed Management Plan, One Watershed One Plan (1W1P). The plan was finalized and approved by BWSR in 2022, officially becoming the District's new 10 year plan.

MSTRWD Boundary



Managers

(L-R) Brad Blawat, Robert Kovar, Joey McGregor , Bill Petersen, Lein Schiller, Keith Szczepanski, Jared Sands

NAME	OFFICE	HOMETOWN	COUNTY REPRESENTED	TERM ENDS
BILL PETERSEN	President	Middle River	Marshall	Jan 1, 2027
ROBERT KOVAR	Vice President	E. Grand Forks	Polk	Jan 1, 2027
KEITH SZCZEPANSKI	Treasurer	Stephen	Marshall	Jan 1, 2027
BRAD BLAWAT	Secretary	Viking	Marshall	Jan 1, 2029
LEIN SCHILLER	Assistant Sec/Tre	Argyle	Marshall	Jan 1, 2029
JOEY MCGREGOR	Manager	Warren	Marshall	Jan 1, 2028
JARED SANDS	Manager	Alvarado	Marshall	Jan 1, 2028

Staff

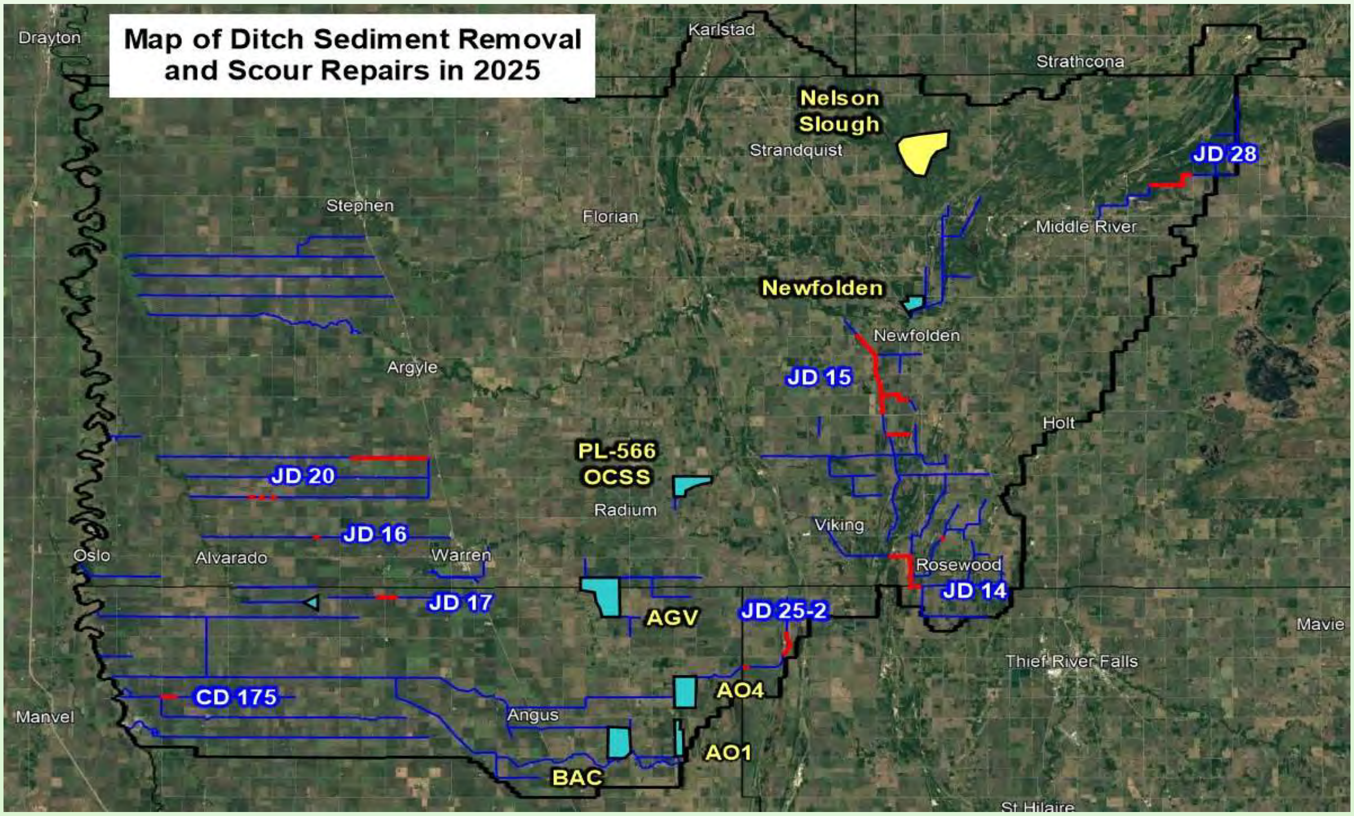
Name	Position	Email	Phone
Morteza Maher	Administrator	Morteza.Maher@mstrwd.org	218-230-5703
Katrina Haugen	Administrative Assistant	Katrina.Haugen@mstrwd.org	218-280-3452
Kyle Schlomann	Technician	Kyle.Schlomann@mstrwd.org	218-230-4016
Tyler Larson	Technician	Tyler.Larson@mstrwd.org	218-230-1955
Robert Adam	Technician	Robert.Adam@mstrwd.org	218-201-0495

Ditches

Ditches are important pieces of infrastructure providing drainage to our communities mostly for ag production purposes. Keeping them clean and well maintained in a short window of time we have while making sure they function when needed is the focal point of our day-to-day operation. The District has jurisdiction over 28 – 103E ditch systems totaling over 340 miles in length.

2025 Ditch Maintenance Projects

- JD #1 – Beaver Dam Removal
- JD #14 – Sediment Removal, Culvert Replacement, Beaver Dams
- JD #15 – Sediment Removal
- JD #16 – Scour Repair
- JD #17 – Sediment Removal
- JD #20 – Sediment Removal and Scour Repair
- JD #25-2 – Sediment Removal, Beaver Dams
- JD #28 – Sediment Removal & Beaver Dams
- CD #43 – Beaver Dam Removal
- JD #75 –Beaver Dam Removal
- CD #175 – Sediment Removal



Some important ditch proceedings in 2025:

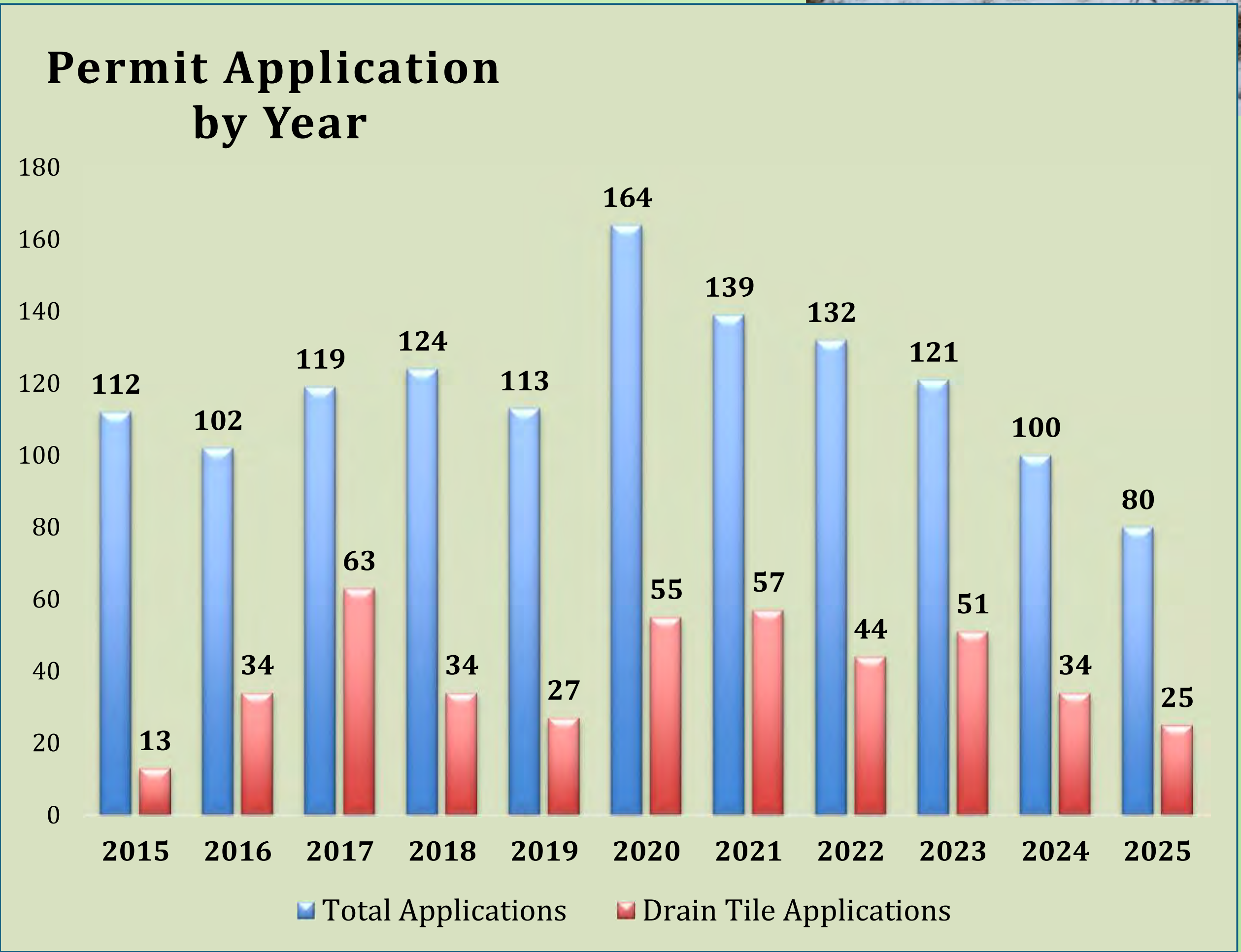
- Re-establishment of record for parts of JD #14
- Re-establishment of record for parts of JD #25-2
- Determination of benefits for WD#8

Permitting

While any activity related to water can alter the hydrology of the district, the District enforces a permitting process to keep up with the changes and to plan accordingly for water management purposes

In 2025, we received 80 permit applications from which 76 were approved and 25 of which were drain tile permits.

Below is a demonstration of trend of permit applications and Drain tile projects over the past decade.



Capital Projects

City of Newfolden Flood Prevention Project

The City of Newfolden Flood Prevention Project utilizes two components to remove the City of Newfolden, a bedroom community to the business and industries in NW MN, from the FEMA 100-year flood plain. It was started in 2016 with construction starting in 2023.

In 2025, although construction only progressed about 13% to be at the 97.22%, the payment was over $1.8 million including the final easements, legal fees, engineering to pursue the LOMR approval, and construction invoices. Majority of this cost was reimbursed through State funds including Clean Water Funds through Board of Water and Soil Resources (BWSR) Watershed Based Implementation Funding, and the Department of Natural Resources Flood Hazard Mitigation Program (State Bond Fund) FHM and regionally from Red River Watershed Management Board.

Capital Projects

Swift Coulee Channel Restoration Project

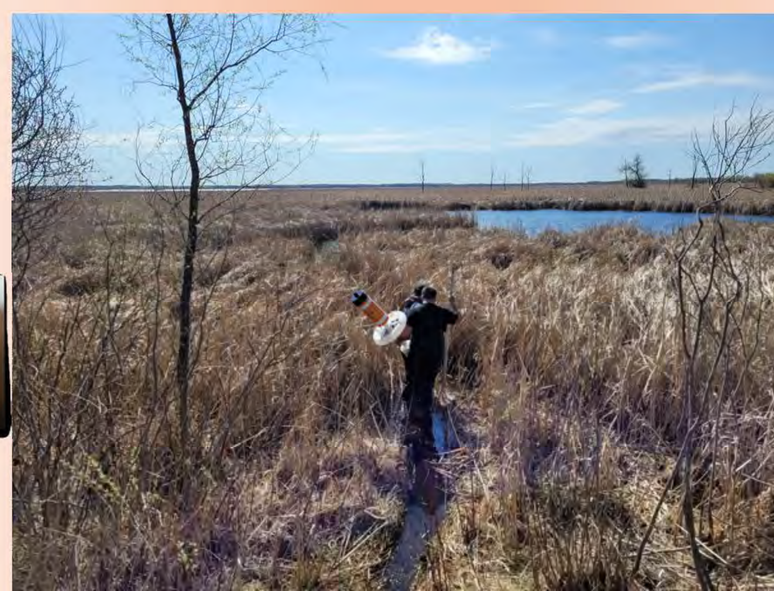
The Swift Coulee project has been a priority for the Middle-Snake-Tamarac Rivers Watershed District (MSTRWD) for over two decades and has consistently been included in the Watershed Management Plan. From the early 2000s, we adopted the project work team approach that engaged all relevant local, state and federal agencies involved in permitting, as well as local authorities and landowners. This collaborative effort identified the most feasible option in 2021. Since then, final design, permitting, funding and land acquisition has been a four year long process. In 2025, we finally celebrated the groundbreaking and finished the construction of phase #1 (permanent seeding is left to be done in 2026).

Phase #2 also progressed as we partially secured the construction funding through Lessard Sams Outdoor Heritage Fund (yet to be signed into law in 2026). Survey, engineering and modeling also progressed to 40% in 2025. BWSR's RIM program managers have already earmarked budget for phase 2 and ready to pay as soon as the paperwork is submitted.

Capital Projects

JD 19 / Nelson Slough

The Nelson Slough within the East Park WMA is an on-channel multi-purpose impoundment site constructed in 1971 and has undergone significant degradation over the years with hybrid cattail growth and water levels consistently above normal pool levels. Watershed planning started in 2016 through which the Middle-Snake-Tamarac Rivers Watershed District (MSTRWD) and the Minnesota Department of Natural Resources (DNR) have been cooperatively working to develop a plan to provide improved water level management capabilities and wildlife habitat. Just like our other capital projects, this one also went through the Project Work Team process starting from 2016. In 2025 the last two pieces of funding allocations were secured, which allowed us to drawdown the pool and set the project ready to bid in early 2026. In 2025 we also installed a buoy to monitor water surface elevations.



Office Remodel and Addition

Due to the meeting room's location directly off the lobby, the lack of accessible restrooms, shared staff spaces, and an outdated 1950s-style interior, the office no longer met the needs of our organization. Given the dedication of our staff and their need for a more modern and functional workspace, the office remodel and addition project was initiated. The Board authorized the project once funding was confirmed to be available from the administrative fund. The project was rebid after the initial round due to insufficient bidders and higher-than-anticipated costs. During the second bidding process, the contract was awarded to a local builder. Construction began in March 2025 and was completed in November 2025. The total project cost was $700,000, with a portion paid in 2025 and the remaining retainage scheduled for payment in 2026.

Our staff, Board and constituents now can enjoy a dedicated meeting room, larger storage, individual offices and ADA compliant bathrooms.

Operational Facilities

Being a member of the Red River Watershed Management Board and Flood Damage Reduction Work Group has led us to build several water impoundments in the past 4 decades to contribute to local flood control and the larger commitment of lowering the Red River's peak flow by 20%. Our existing impoundments include:

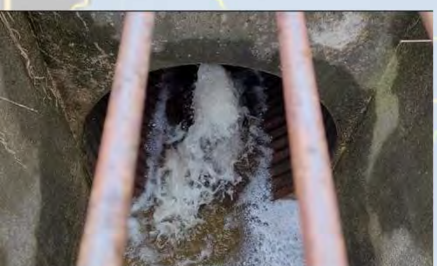
- Angus Oslo #1
- Angus Oslo #4
- City of Warren Off Channel Impoundment
- Agassiz Valley Water Management
- Brand Angus Coulee

Operational Facilities

Angus Oslo #1

Quick Facts

- Multi-purpose: FDR, NRE, Water Quality
- Construction: 1982-1983
- Cost: $ 152,000
- Drainage Area: 3.1 Sq.miles
- Total Flood Storage: 940 ac-ft



This structure, marching toward its 50th year of service, showed a need for culvert replacement at its outlet. The project, although a replace in kind, required a new design and permit from DNR Dam Safety Department. Construction took less than a week-long period in mid October of 2025. The completed work was inspected and approved by the engineer and DNR.

This project cost over $40,000, which is close to 10% of the District project budget.

Operational Facilities

Angus Oslo #4

Quick Facts

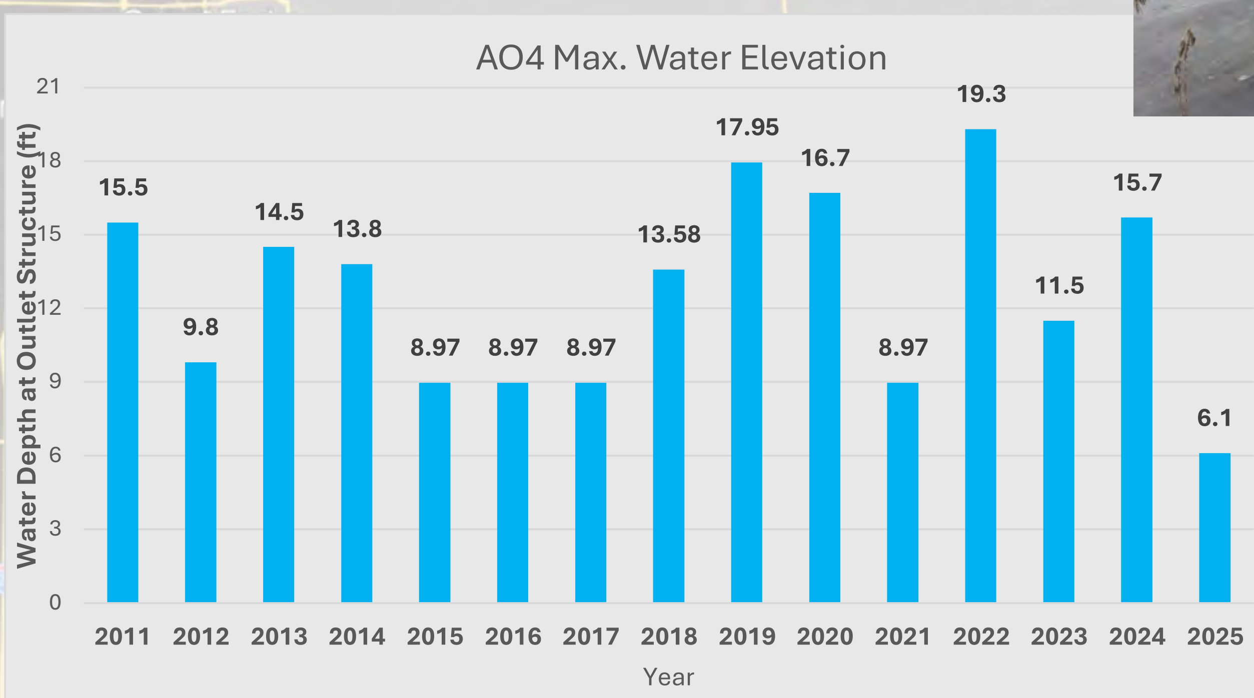
- Multi-purpose: FDR, NRE
- Construction: 1999-2001
- Cost: $3.3 million
- Drainage Area: 23.4 Sq.miles
- Flood Storage: 4,500 ac-ft

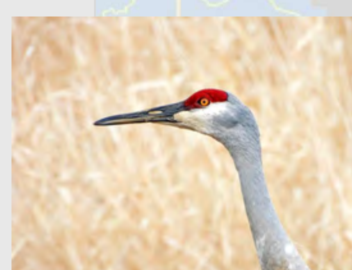
In 2025, like other years, we maintained the gate during flood/ high water events to manage or minimize downstream flooding as per the O&M plan. Below chart demonstrates the trend of the highest observed water surface elevations within the impoundment over the last several years.

This project is a candidate for a 5-year monitoring program that is being done in coordination with DNR, Moor Engineering, RRWMB and FDRWG. This program started in 2024 and continued in 2025. It will measure the factors to compare to the original design criteria as a means of evaluation and potential adjustments.

Our experts at the office also inspect the facility and structures on an annual basis for major repairs or operational concerns. There was a separating gap reported in culvert segments that were then reviewed by the district engineer and recommended for continued monitoring for any further changes.

Bird photos received from a local bird watcher ©HvHughes, 2026





Operational Facilities

City of Warren Off Channel Impoundment

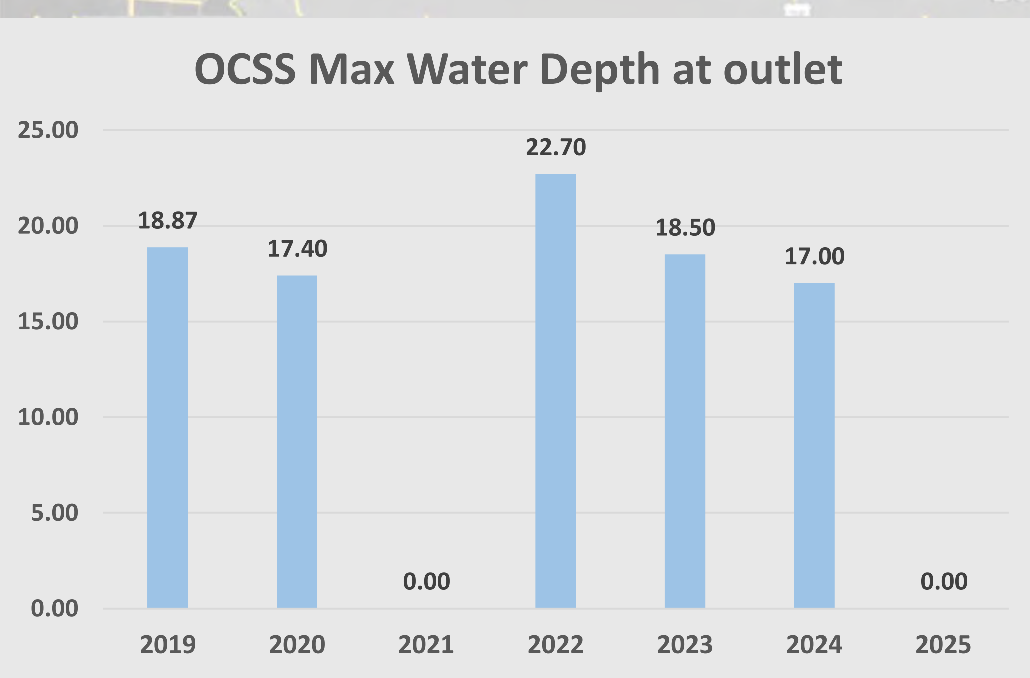
Quick Facts

- Multi-purpose: FDR, NRE, Water Quality
- Construction in 4 phases: 1999 - 2008
- Cost: ~$18 million
- Drainage Area: 56.3 Sq.miles
- Flood Storage: 6,545 ac-ft

In 2025 like other years, we maintained the gate during flood/ high water events to manage or minimize the downstream flooding as per O&M plan. Below chart demonstrates a trend of highest water elevation in each of last years.

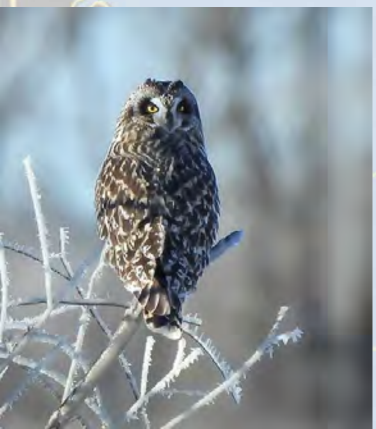
Our experts at the office also inspect the facility and structures on an annual basis for major repairs or operational concerns.

This facility has gone through severe erosion due to high waters and wind erosion over the years but specifically in 2022. It has been waiting for a reinforcement design and funding from Federal (NRCS) to address this issue.



Operational Facilities

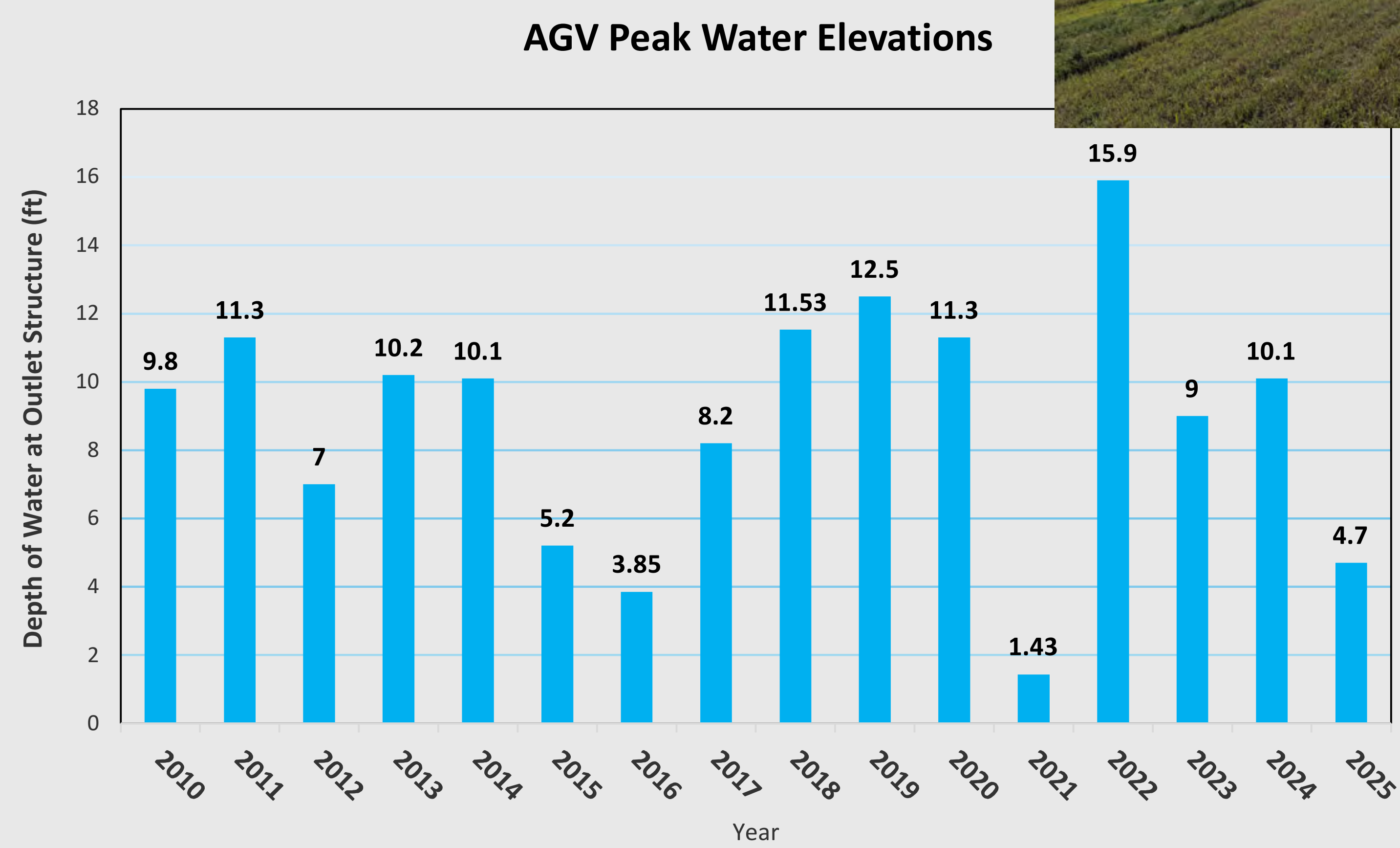
Agassiz Valley Water Management



Quick Facts

- Multi-purpose: FDR, NRE, River Augmentation
- Construction: 2008-2010
- Cost: $10.7 million
- Drainage Area: 31.6 Sq.miles
- Total Flood Storage: 10,670 ac-ft
- Gated Storage: 6,840 ac-ft

In 2025 like other years, we maintained the gate during flood/ high water events to manage or minimize the downstream flooding as per O&M plan. Below chart demonstrates a trend of highest water elevation in each of last years.
Our experts at the office also inspect the facility and structures on an annual basis for major repairs or operational concerns.
Bird photos received from a local bird watcher ©HvHughes, 2026



Operational Facilities

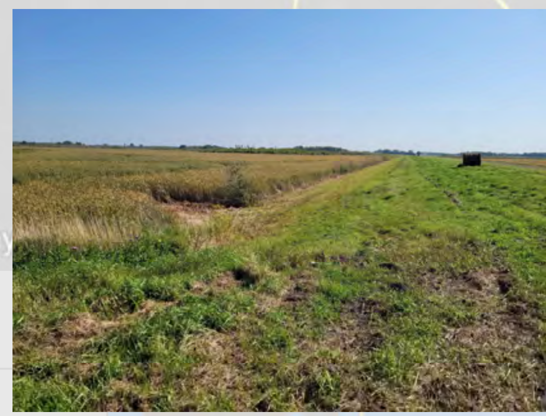
Brand Angus Coulee

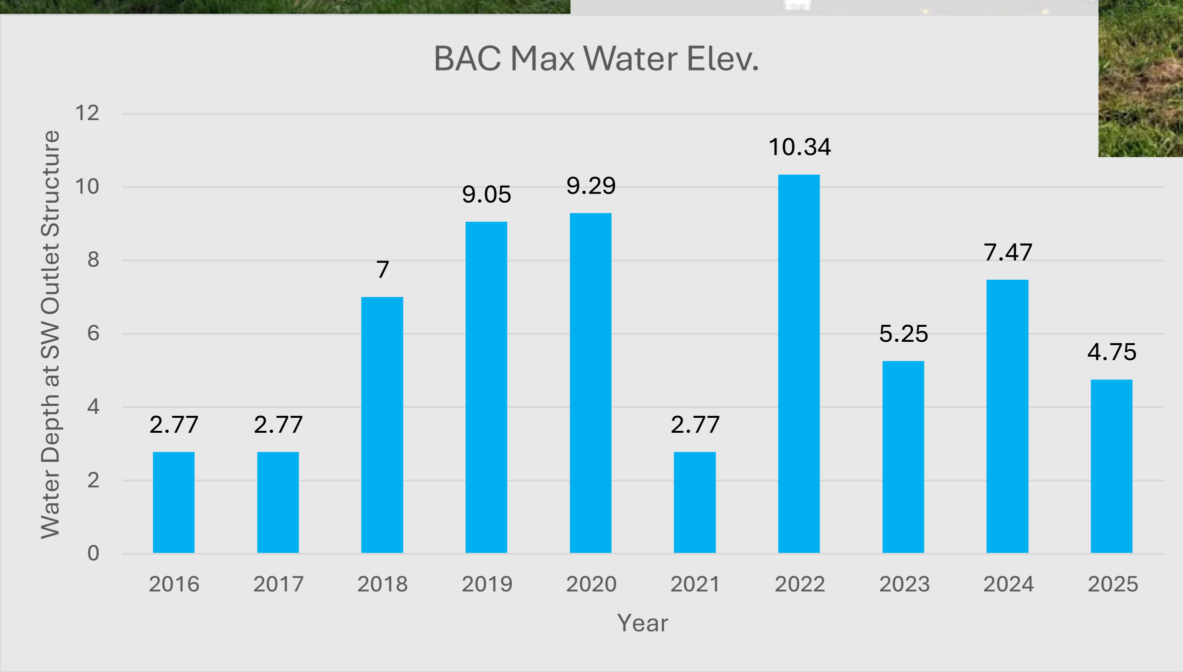
Quick Facts

- Multi-purpose: FDR, NRE, Water Quality
- Construction: 2012 - 2013
- Cost: $5.9 million
- Drainage Area: 14.4 Sq.miles
- Flood Storage: 5,213 ac-ft

In 2025 like other years, we maintained the gate during flood/ high water events to manage or minimize the downstream flooding as per O&M plan. Below chart demonstrates a trend of highest water elevation in each of last years.

Our experts at the office also inspect the facility and structures on an annual basis for major repairs or operational concerns.



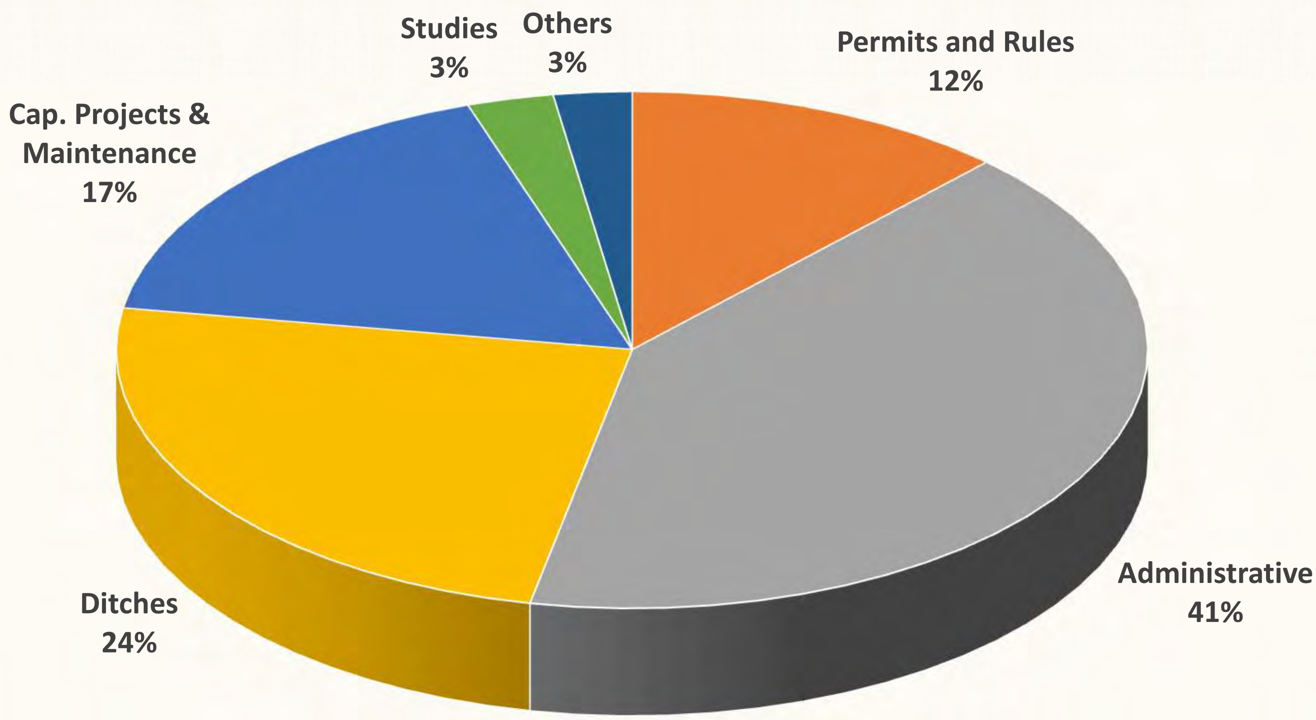


By the Numbers

Staff Hours

Our office with the help of 3 technical staff and the administration assistant under the leadership of the administrator, have performed various tasks from construction management, grant application and management, permit review and assistance and more importantly help with drainage issues all over the district with a focus on keeping **our waters clean**!
Below chart demonstrates a breakdown of our staff time on various tasks group.

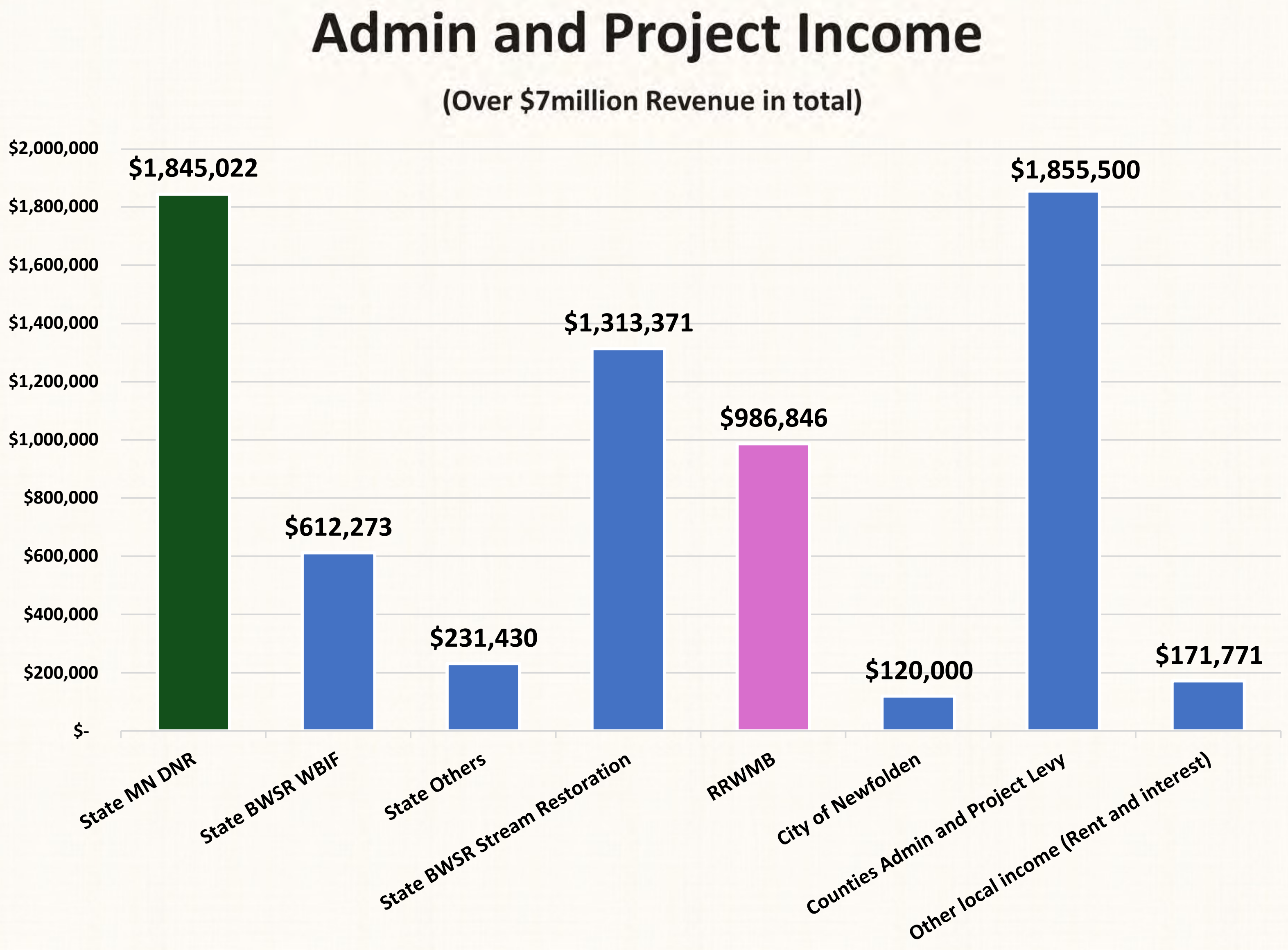
While we strive to serve our constituents, we aim at making our operation more efficient in any ways possible. As a first step we plan to have our accounting process reviewed by professional 3rd party for recommendations on improvements and increased transparency in 2026.



By the Numbers

Admin and Project Revenue

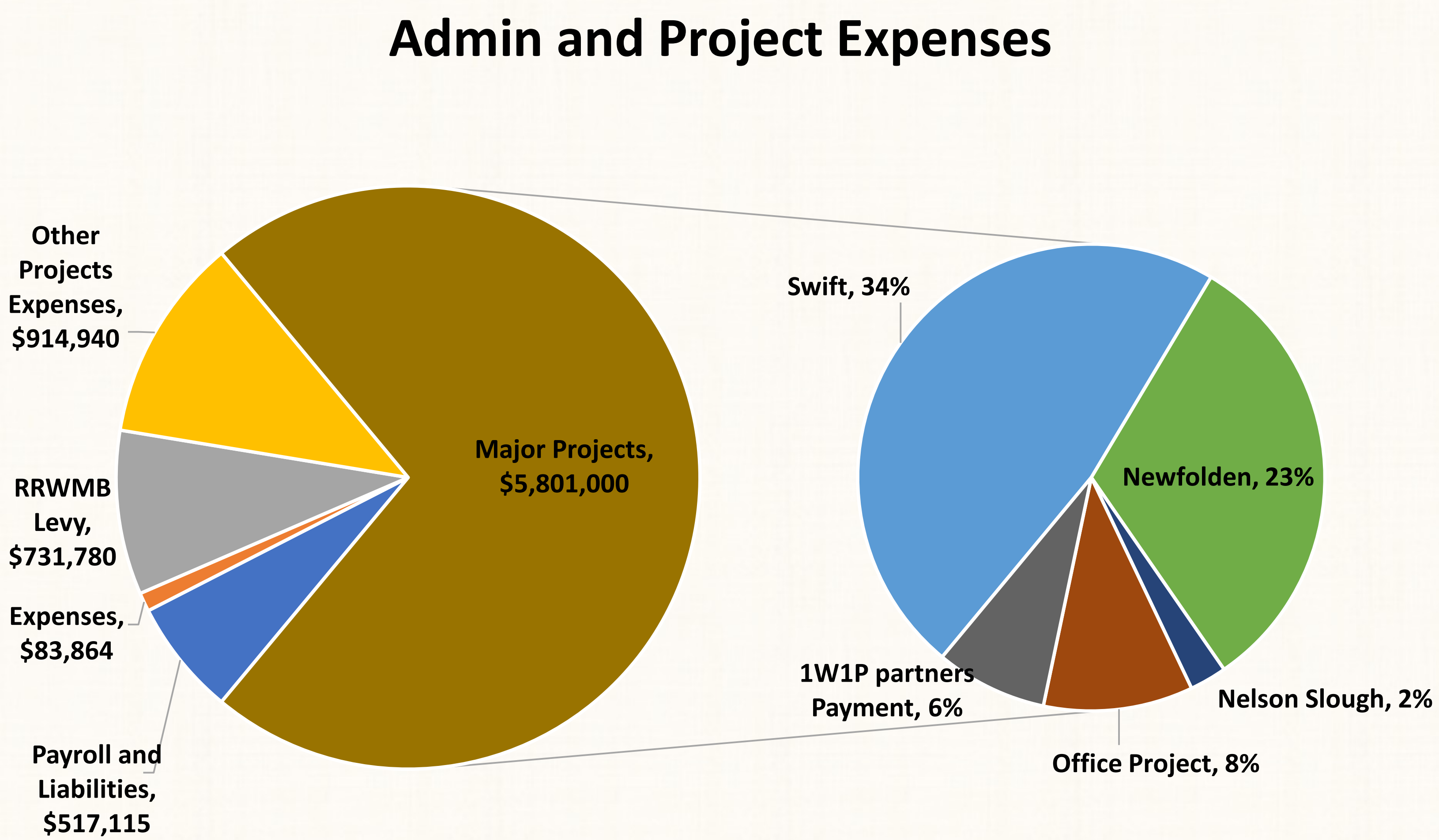
While our routine administrative operations are primarily supported by the local tax levy, advancement of our capital improvement projects is not feasible without State and regional financial assistance. In the past year alone, we secured over $7 million from multiple funding sources, as illustrated in the chart below. Our district, in partnership with our One Watershed, One Plan (1W1P) collaborators, remains significantly reliant on and deeply invested in the Clean Water Fund.



By the Numbers

Admin and Project Expense

While it was tough to manage the cash flow of the district with state grant conditions and yet progressing two major drainage project in addition to the belated office renovation and addition, we were able to manage over $5.8 million of cash transaction just related to those. Below chart demonstrates a big picture of our expenses last year. While this chart is informative, for more details and categories of each account, please refer to the auditor's report. In case of discrepancy, auditor's report should be referenced.



By the Numbers

Ditch Levy and Expenses

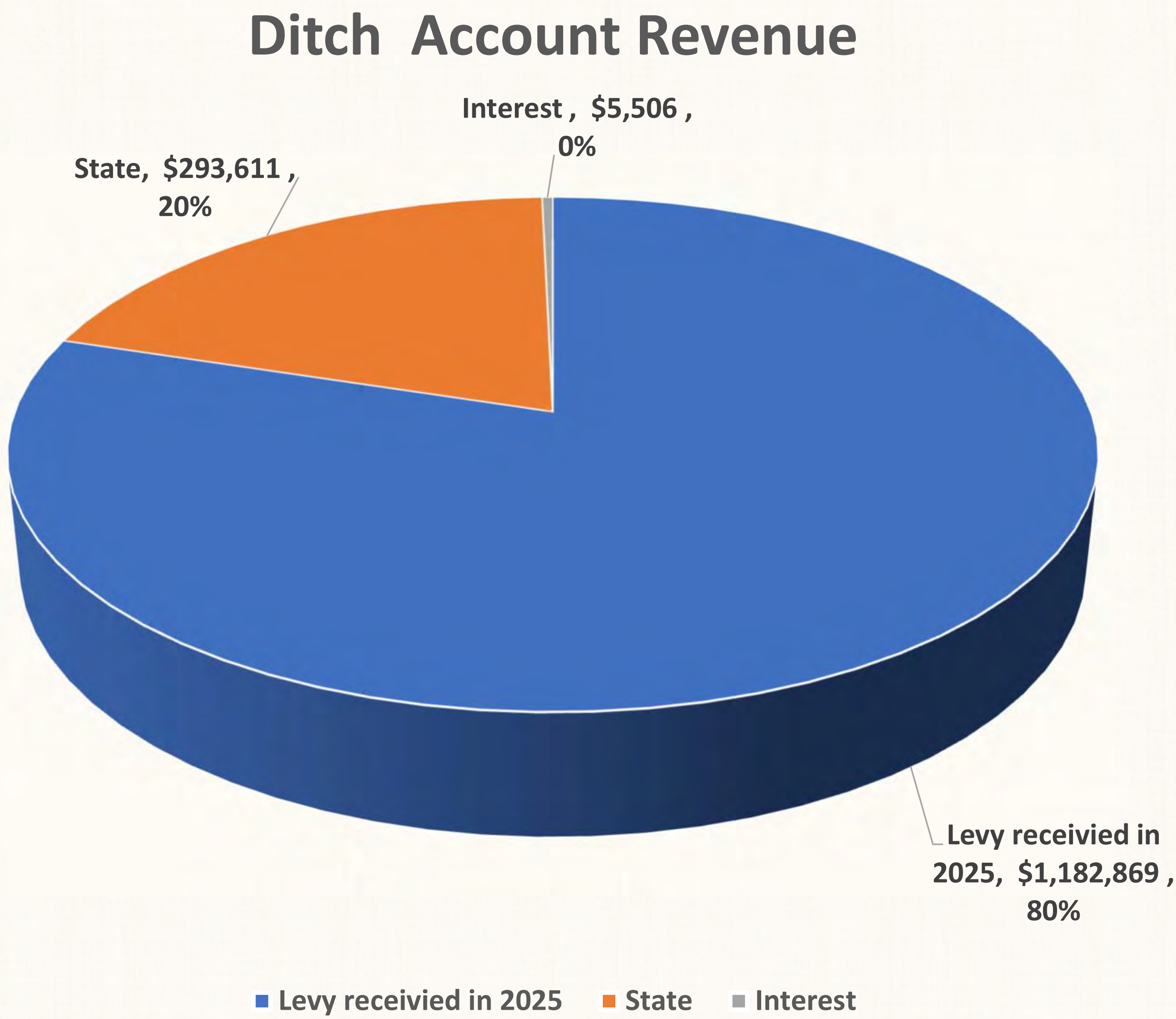
Below table is the 2025 Ditch Levies for Drainage Systems under the Jurisdiction of the MSTRWD. (WD #8 had its benefits determined in 2025, it won't see its first levy assessment until 2026.)

System	County	Portion	Year of RoB	Benefits	% Levied	2025 Levy
JD #1	Marshall	13.56%	1992	$497,195	2.00%	$9,944
	Polk	86.44%	1992	$3,168,795	5.00%	$158,440
WD #2	Marshall	100.00%	1991	$40,513	4.00%	$1,621
SD #3	Marshall	100.00%	2024	$98,435	2.00%	$157,504
WD #4	Marshall	73.33%	1990	$97,791	6.00%	$5,867
	Polk	26.67%	1990	$35,575	6.00%	$2,135
WD #5	Polk	100.00%	1999	$2,568,049	0.50%	$12,840
WD #6	Polk	100.00%	1999	$1,940,736	0.50%	$9,704
WD #7	Marshall	58.40%	2000	$304,504	1.00%	$3,045
	Polk	41.60%	2000	$34,063	2.00%	$681
WD #7 Imp	Marshall	58.40%	2000	$76,133	0.25%	$190
	Polk	41.60%	2000	$54,237	5.50%	$2,983
JD #14	Marshall	74.92%	2014	$983,879	4.50%	$44,275
	Pennington	25.08%	2014	$329,416	2.50%	$8,235
JD #15	Marshall	100.00%	1980	$1,535,665	3.50%	$53,748
JD #16	Marshall	100.00%	1987	$929,352	5.00%	$46,468
JD #17	Marshall	6.48%	1982	$43,470	3.00%	$1,304
	Polk	93.52%	1982	$627,149	1.00%	$6,271
JD #20	Marshall	100.00%	1985	$2,354,906	3.60%	$84,777
JD #21	Marshall	100.00%	1985	$279,838	8.00%	$16,790
JD #24	Marshall	72.78%	1990	$247,353	1.00%	$2,474
	Polk	27.22%	1990	$92,494	1.00%	$925
JD #25-1	Marshall	38.34%	2014	$388,653	4.00%	$15,546
	Polk	56.33%	2014	$571,047	4.00%	$22,842
	Pennington	5.33%	2014	$54,032	4.00%	$2,161
JD #25-2	Marshall	9.21%	1989	$70,810	8.00%	$5,665
	Polk	55.66%	1989	$427,954	8.00%	$34,236
	Pennington	35.13%	1989	$270,062	8.00%	$21,605
JD #28	Marshall	100.00%	1913	$55,990	MAX	$40,000
JD #29	Marshall	100.00%	1981	$2,237,910	2.50%	$55,948
CD #39	Marshall	100.00%	1990	$125,681	6.00%	$7,541
CD #39i	Marshall	100.00%	1996	$108,466	1.00%	$1,085
CD #43	Polk	100.00%	1989	$1,176,137	5.50%	$64,688
CD #44	Polk	100.00%	1989	$1,001,112	2.50%	$25,028
JD #68	Polk	100.00%	1995	$248,110	2.50%	$6,203
JD #75	Polk	100.00%	1990	$3,653,439	3.50%	$127,870
CD #175	Polk	100.00%	2019	$1,288,554	0.50%	$34,069

By the Numbers

Ditch Levy and Expenses

In 2025, the combined ditches maintenance expense was nearly $700,000. The ditch accounts did receive money from both local levy and state funds (state funds were reimbursements for Clean Water projects completed in 2024) . Below chart depicts an overall view of the ditch account annual revenue. For more details, please refer to the auditor's report or call us to discuss.



Outreach

While we do strive to connect with our constituents and help them with water management on a day-to-day basis, we follow the Statutory requirement of having an advisory committee with whom we meet at least once a year. In 2025, aside from our advisory committee meeting which was held in November at Argyle MN, we had numerous radio show interviews, meetings with legislators and agency authorities all with the aim to help our constituents either for public awareness, securing funds or positioning on legislatures with impact on our mission mostly in coalition with the Red River Watershed Management Board and MN Watersheds.

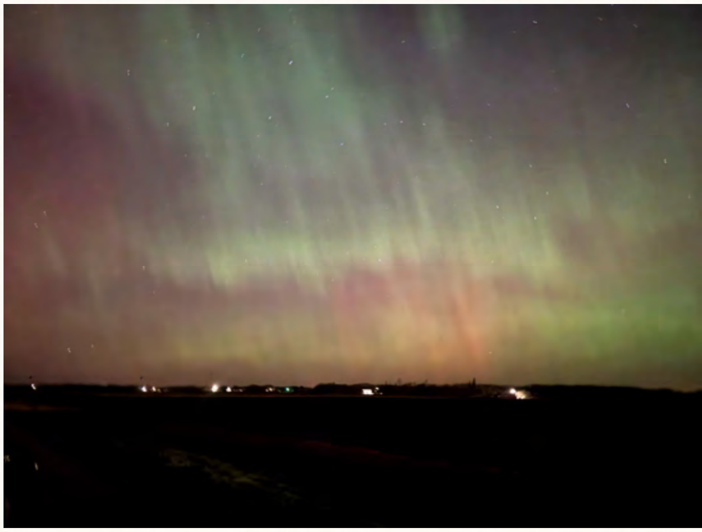
While there is a limit on our resources to publish our news and information online, our website, Facebook, and LinkedIn can be your first resource to get updates. If you need more information, easiest would be a phone call to our office, we have such a nice team that would welcome your inquiries and respond with care.

Community and Resources

Working in silos is not something we like, we like our supportive community with whom we can accomplish our mission, contribute to even larger goals and aspiring visions. The Clean Water as a buzz word is not a buzz word for us, we take a look at every project through that lens these days. So many resources we rely on, have the same passion or share the goal and understand our position on balancing our projects to be multipurpose. We are in debt of all those supporters some of them are identified by their logos in this page.

Outdoors & Activities

We understand our area and know our culture, While wildlife and bird watching is becoming more popular, hunting is still a big thing in our community. Thankfully as a local government unit, majority of our facilities are open for hunting by permit. That includes **over 5,000 acres** of impoundments in our district.



We also attend schools (by request) and provide information about the water, its management and what does it mean to us and want our next generations to know about it.

We should not ignore the big sport and fun of our long winters .... Snowmobiling. Due to how wide and flat is our district, sportsmen and women, enjoy riding along paths in long distances some on our long ditch systems right of way.

2026 Vision

Looking ahead, the District remains committed to operating and maintaining its existing drainage systems and infrastructure at a level that exceeds the standards achieved in 2025. In addition to ongoing maintenance efforts, two major capital projects will be a primary focus in the coming years.

The Nelson Slough Project, now fully funded, is anticipated to proceed to the bidding phase, with construction expected to commence in 2026 and reach completion in 2027. Similarly, Swift Coulee Phase II will advance through critical stages including engineering, permitting, land acquisition, and finalizing funding, with the objective of initiating and completing construction by 2027.

From an administrative perspective, the District will prioritize enhancing efficiency, transparency, and accuracy. A comprehensive review of the current accounting systems and processes will be undertaken, with improvements implemented where necessary to ensure best practices and fiscal accountability. Also, an effort to streamline permit application submission process and an online map to attach to the permit and a culvert inventory update on GIS system is what our technical staff will work on in 2026.

At the state level, the District will continue to advocate for and safeguard the interests of its constituents. Guided by our mission and commitment to public service, we will remain diligent in navigating both the opportunities and constraints that shape our responsibilities.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
WARREN, MINNESOTA

AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

TABLE OF CONTENTS

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
OFFICIALS DIRECTORY – (UNAUDITED)
DECEMBER 31,2025

BOARD OF MANAGERS

Bill Petersen	President
Robert Kovar	Vice-President
Brad Blawat	Secretary
Keith Szczepanski	Treasurer
Lein Schiller	Assistant Secretary/Treasurer
Joey McGregor	Manager
Jared Sands	Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Middle-Snake-Tamarac Rivers Watershed District
Warren, Minnesota

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Middle-Snake-Tamarac Rivers Watershed District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our 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 remaining fund information of the Middle-Snake-Tamarac Rivers Watershed District, as of December 31, 2025, and the respective changes in the cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Middle-Snake-Tamarac Rivers Watershed District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management 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, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle-Snake-Tamarac Rivers Watershed District's basic financial statements. The budgetary comparison schedule and schedule of fund balances by project are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and schedule of fund balances by project are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the officials directory and the management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Brady Martz

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 16, 2026

As management of the Middle-Snake-Tamarac Rivers Watershed District, we offer readers of the Middle-Snake-Tamarac Rivers Watershed District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The net cash position of Middle-Snake-Tamarac Rivers Watershed District at the close of the recent fiscal year was $4,986,999.

- The District's total net cash position increased by $98,830.

- The District's general fund balance decreased by $560,608 and ended the year with a fund balance of $787,963.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Over time, increases or decreases in net position – cash basis may serve as a useful indicator of whether the financial cash position of the Middle-Snake-Tamarac Rivers Watershed District is improving or deteriorating.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements. The fund financial statements focus on the individual parts of the District. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Middle-Snake-Tamarac Rivers Watershed District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's two kinds of funds – governmental and fiduciary – use different accounting principles.

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

Middle-Snake-Tamarac Rivers Watershed District maintains two major governmental funds. Information is presented separately in the governmental fund statement of balances arising from cash transactions and in the governmental fund statement of cash receipts, disbursements, and changes in fund balance for the General Fund and Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 11 through 12 of this report.

Fiduciary Funds
These fund types are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreement and similar arrangements.

The fiduciary fund financial statements can be found on pages 13 through 14 of this report.

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. The notes to the financial statements can be found on pages 15 through 23 of this report.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT'S NET CASH POSITION

	2025	2024
ASSETS:		
Current assets	$ 4,986,999	$ 4,888,169
Total Assets	$ 4,986,999	$ 4,888,169
NET CASH POSITION		
Restricted for capital projects and ditch funds	$ 4,199,036	$ 3,539,598
Unrestricted	787,963	1,348,571
Total Net Cash Position	$ 4,986,999	$ 4,888,169

At the end of 2025 and 2024, the Middle-Snake-Tamarac Rivers Watershed District is able to report positive balances in net cash position.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT'S CHANGE IN NET CASH POSITION

Governmental activities resulted in an increase of $98,830 of Middle-Snake-Tamarac Rivers Watershed District's net position from the year ended December 31, 2024 to the year ended December 31, 2025. The details of the change are as follows:

	2025	2024
RECEIPTS		
Special assessments and charges for services	$ 1,345,026	$ 1,158,060
Capital grants	5,255,019	5,588,965
General revenues:		
Property taxes	1,157,283	1,006,842
Other intergovernmental	45,353	27,243
Interest	91,043	165,875
Total Receipts	7,893,724	7,946,985
DISBURSEMENTS		
Administration	509,233	500,013
Professional	1,008,185	945,025
Project costs	5,156,958	6,902,173
Operations and miscellaneous	1,120,518	211,289
Total Disbursements	7,794,894	8,558,500
Change in Net Cash Position	98,830	(611,515)
Net Position - January 1	4,888,169	5,499,684
Net Position - December 31	$ 4,986,999	$ 4,888,169

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At the end of the current fiscal year, Middle-Snake-Tamarac Rivers Watershed District's governmental funds reported combined ending fund balances (cash basis) of $4,986,999. The total fund balance can be attributed to 1) General Fund, $787,963 and 2) Capital Projects Fund, $4,199,036.

The general fund decreased by $560,608 in 2025 mainly from expenditures from an office remodel.

The capital projects fund increased by $659,438 in 2025 mainly due to submitting reimbursement requests in 2025 from expenses relating to 2024.

BUDGETARY HIGHLIGHTS

General Fund. The General Fund actual receipts were over budget by $209,925 and actual disbursements were over budget by $197,047 for the year ended December 31, 2025. This was due to not budgeting for a purchase of a property that was going to be demolished with financial assistance from FEMA.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

See letter from the chairman.

ADDITIONAL INFORMATION

Requests for Information. This financial report is designed to provide a general overview of Middle-Snake-Tamarac Rivers Watershed District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Middle-Snake-Tamarac Rivers Watershed District, PO Box 154, Warren, Minnesota or by telephone at (218) 745-4741.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 4,986,999
TOTAL ASSETS	$ 4,986,999
NET CASH POSITION	
Restricted for capital projects and ditch funds	$ 4,199,036
Unrestricted	787,963
TOTAL NET POSITION	$ 4,986,999

See Notes to the Basic Financial Statements

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

FUNCTION	Disbursements	Program Receipts and Sources: Fees, Assessments and Charges for Services	Program Receipts and Sources: Capital Grants and Contributions	Net Cash Sources (Uses) and Change in Net Cash Position: Governmental Activities Total
Governmental Activities:				
Administration	$ 509,233	$ -	$ -	$ (509,233)
Professional	1,008,185	-	-	(1,008,185)
Project costs	5,156,958	1,147,382	5,255,019	1,245,443
Operations and miscellaneous	1,120,518	197,644	-	(922,874)
Total Governmental Activities	$ 7,794,894	$ 1,345,026	$ 5,255,019	(1,194,849)
General Receipts:				
Property taxes				1,157,283
Intergovernmental (not restricted for special program)				
MV Credits				45,353
Interest earnings				91,043
Total General Receipts				1,293,679
Changes in Net Cash Position				98,830
Net Cash Position, January 1				4,888,169
Net Cash Position, December 31				$ 4,986,999

See Notes to the Basic Financial Statements

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Capital Projects Fund	Total
ASSETS			
Cash and investments	$ 787,963	$ 4,199,036	$ 4,986,999
TOTAL ASSETS	$ 787,963	$ 4,199,036	$ 4,986,999
CASH FUND BALANCE			
Restricted for capital projects and ditch funds	$ -	$ 4,199,036	$ 4,199,036
Unassigned	787,963	-	787,963
TOTAL CASH FUND BALANCE	$ 787,963	$ 4,199,036	$ 4,986,999

See Notes to the Basic Financial Statements

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General	Capital Projects Fund	Total
RECEIPTS			
Taxes	$ 406,958	$ 750,325	$ 1,157,283
Special assessments	-	1,147,382	1,147,382
Intergovernmental:			
Federal	180,000	-	180,000
State	10,010	4,081,949	4,091,959
RRWMB	-	992,925	992,925
County	-	35,488	35,488
Interest	52,125	38,918	91,043
Other	832	196,812	197,644
TOTAL RECEIPTS	649,925	7,243,799	7,893,724
DISBURSEMENTS			
Administration	98,412	410,821	509,233
Professional	118,023	890,162	1,008,185
Project costs	-	5,156,958	5,156,958
Operations and miscellaneous	994,098	126,420	1,120,518
TOTAL DISBURSEMENTS	1,210,533	6,584,361	7,794,894
Receipts Over (Under) Disbursements	(560,608)	659,438	98,830
Cash Fund Balance (Deficit) - January 1	1,348,571	3,539,598	4,888,169
Cash Fund Balance (Deficit) - December 31	$ 787,963	$ 4,199,036	$ 4,986,999

See Notes to the Basic Financial Statements

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
FIDUCIARY FUND
DECEMBER 31, 2025

	Custodial Fund
ASSETS	
Cash	$ 19,273
NET CASH POSITION	
Restricted for Red River Watershed Management Board	$ 19,273
TOTAL NET CASH POSITION	$ 19,273

See Notes to the Basic Financial Statements

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
STATEMENT OF CHANGES IN NET CASH POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Custodial Fund
ADDITIONS	
Taxes	
Kittson County	$ 3,654
Marshall County	573,667
Pennington County	18,117
Polk County	110,544
Roseau County	900
Intergovernmental	
MV credits	17,671
TOTAL ADDITIONS	724,553
DEDUCTIONS	
Red River Watershed Management Board	722,197
TOTAL DEDUCTIONS	722,197
CHANGE IN NET POSITION	2,356
NET POSITION - BEGINNING	16,917
NET POSITION - ENDING	$ 19,273

See Notes to the Basic Financial Statements

The Middle-Snake-Tamarac Rivers Watershed District, (the "District") was established under the Minnesota Watershed Act as an agency of the State of Minnesota. The purpose of the District is to carry out conservation of the natural resources of the State of Minnesota through land utilization, flood control, and other needs upon sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. The District serves an area in Northwestern Minnesota. The District is governed by the Board of Managers, which is composed of seven members appointed by the county boards in accordance with Minnesota Statutes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements are followed.

Reporting Entity

The financial statements of the District include all organizations, funds and account groups over which the Board of Managers exercises significant influence or financial accountability. The District uses criteria established by GASB in determining financial accountability, which includes: the District's appointment of an entity's governing board; ability of the District to impose its will on that entity; or the potential for the entity to provide specific financial benefits or financial burdens on the District. Currently, the District does not have any component units.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities (if any). The District displays all operations as governmental activities, because governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange receipts.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues (receipts) and expenditures (disbursements). Funds are typically organized into three categories: governmental, fiduciary and proprietary. The District currently has no proprietary funds.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues (receipts) or expenditures (disbursements) of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type, AND

Total assets, liabilities, revenues (receipts) or expenditures (disbursements) of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Governmental Funds

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.

Capital Projects Fund

The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of capital projects. The reporting entity includes the capital projects fund as a major fund.

Fiduciary Fund

Custodial Fund

The custodial fund accounts for assets held by the District in a purely custodial capacity on behalf of the Red River Watershed Management Board. Since this fund is custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. This fund is used to account for property taxes levied by the District and submitted to the Red River Watershed Management Board.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions, governmental activities are presented using the economic resources measurement focus, within the limitations of the 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 present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions, governmental activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues and expenditures when they result from cash transactions, therefore revenues and expenditures are referred to as receipts and disbursements, respectively. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or unbilled services provided in current year) and certain liabilities and their related expense (such as accounts payable, unpaid goods or services received in the current year and accrued expenses) 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 and the government-wide financials would be presented on the accrual basis of accounting.

Budgets

The budget is prepared using the same method of accounting as the financial statements. The annual adopted budget is not legally binding to the District, with the exception of the budget for the levy in the general fund, which is limited by state statute at $500,000 and set by the Board for 2025 at $400,000.

Revenues

In the Statement of Activities Arising From Cash Transactions, cash basis revenues (receipts) that are derived directly from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has the following program revenues: direct project cost reimbursements and project special assessments, rental income and capital grants specific to projects. All other governmental revenues and general tax levies are classified as general revenue.

Property Taxes

The District levies property taxes on property owners within the District, which is set by the Board in September and are certified to the County for collection in the subsequent year. In Minnesota, counties act as collection agents for all property taxes.

The approved levy becomes an enforceable lien as of January 1 in the subsequent year. Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15 (November 15 for farm property). The counties typically provide tax settlements to the District in January, June and December. Property taxes are recognized when received from the counties under the cash basis of accounting.

The District also levies special assessments through the counties against property owners who obtain direct benefits from projects or property owners who request, through the petition process, to have a project undertaken. The special assessment collections are recorded in a manner similar to that for property taxes.

Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in authorized investments authorized by Minnesota statutes. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund. It is the policy of the District in which funds with deficit averages are not charged with the investment earnings lost in financing the deficits.

Equity

In the government-wide financial statements, equity is classified as “net position” and displayed in two components:

> Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
>
> Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Cash Fund Balance

In the governmental fund financial statements, cash fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable cash fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted cash fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed cash fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority which is the Board of Managers through an ordinance or resolution.

Assigned cash fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed.

Unassigned cash fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

Interfund Balances

In the process of aggregating the fund information for the government-wide Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

NOTE 2 CASH

Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC (140% if collateralized with notes secured by first mortgages and 100% if secured by a letter of credit).

At December 31, 2025, the District’s carrying amount of deposits was $5,006,272 and the bank balance was $5,274,737. All of the deposits were covered by Federal Depository Insurance or with securities held by the pledging financial institution’s agent in the government’s name.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District is authorized by Minnesota Statutes to invest in the following: direct obligations or obligations guaranteed by the federal government or its agencies; share of investment companies registered under the Federal Investment Company Act of 1940 and is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of Minnesota Housing Finance Agency rated “A” or better; commercial paper issued by United States’ corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank or insurance company, domestic branch of a foreign bank and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District has no investment policy that would further limit its investment choices.

Custodial Risk

The District does not have a formal policy that would limit the amount invested in any single financial institution.

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425, in a month, unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2025, were $26,801. The District's contributions were equal to the required contributions as set by state statute.

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

NOTE 4 CONTINGENCIES

Grants

The District participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable at December 31, 2025, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Claims and Litigation

The District may be involved in some legal actions relating to projects undertaken or attempted to be undertaken. Although the outcomes cannot be determined, the District believes any potential liability would not have a material impact on the financial condition of the District.

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 DEFICIT FUND BALANCES

The following capital projects had deficit fund balances as of December 31, 2025:

Fund	Project	Total
Capital Projects	Agassiz Valley	$ (86,501)
Capital Projects	Angus-Oslo #1	(57,684)
Capital Projects	Angus-Oslo #4	(50,478)
Capital Projects	Brandt/Angus	(259,068)
Capital Projects	Lilac Ridge WMP	(16,347)
Capital Projects	Nelson Slough	(82,819)
Capital Projects	PL-566	(157,584)
Capital Projects	Newfolden/Middle River FPZ	(763,960)
Capital Projects	Swift Coulee	(786,153)
Capital Projects	JD #14	(8,778)
Capital Projects	JD #15	(7,103)
Capital Projects	JD #21	(1,472)
Capital Projects	WD #8	(28,522)
Capital Projects	SD #3	(159,072)
Capital Projects	CD #43	(51,148)

The deficits are expected to be eliminated through future receipts or transfers.

NOTE 7 CONSTRUCTION COMMITMENTS

The District had approximately $268,000 in construction commitments for capital projects as of December 31, 2025.

NOTE 8   NEW PRONOUNCEMENTS

GASB Statement No. 103, Financial Reporting Model Improvements, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 105, Subsequent Events, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on Middle-Snake-Tamarac Rivers Watershed District financial statements.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED December 31, 2025

	Original & Final Budgeted Amounts	Actual Amounts	Final Budget to Actual Variance
RECEIPTS			
Property taxes:			
Kittson County	$ 2,176	$ 2,070	$ (106)
Marshall County	323,639	330,751	7,112
Pennington County	10,405	10,306	(99)
Polk County	63,214	63,260	46
Roseau County	566	522	(44)
Total property taxes	400,000	406,909	6,909
Intergovernmental:			
Federal		180,000	180,000
State	-	10,010	10,010
Total Intergovernmental	-	190,010	190,010
Other:			
In Lieu of Taxes	-	49	49
Interest	40,000	52,125	12,125
Reimbursed Expenses and Miscellaneou:	-	832	832
Total Other	40,000	53,006	13,006
TOTAL RECEIPTS	440,000	649,925	209,925
DISBURSEMENT			
Administrative Personnel Costs:			
Salaries and Benefits	525,000	320,551	(204,449)
Managers Expense	35,000	11,085	(23,915)
Employee Reimbursements	-	9,835	9,835
Payroll Costs	6,000	4,980	(1,020)
Total Administrative Personnel Costs	566,000	346,451	(219,549)
Professional:			
Accounting	24,000	14,782	(9,218)
Engineering	25,000	48,563	23,563
Legal	40,000	54,678	14,678
Total Professional	89,000	118,023	29,023

See Note to the Budgetary Comparison Schedule

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original & Final Budgeted Amounts	Actual Amounts	Final Budget to Actual Variance
Operations:			
Insurance	$ 30,000	$ 25,401	$ (4,599)
Dues	7,500	15,087	7,587
Printing and Advertising	4,500	11,567	7,067
Supplies & Equipment	64,500	22,552	(41,948)
Telephone	12,000	7,806	(4,194)
Vehicle Expense	20,000	8,072	(11,928)
Postage	2,000	1,352	(648)
Miscellaneous	925	11,230	10,305
Land Rights	-	240,322	240,322
Property Taxes	75	82	7
Total Operations	141,500	343,471	201,971
Facilities:			
Maintenance	450,000	634,607	184,607
Office Equipment	-	12,545	12,545
Utilities	6,500	3,475	(3,025)
Total Facilities	456,500	650,627	194,127
Project Construction	8,525	-	(8,525)
TOTAL DISBURSEMENTS	1,261,525	1,458,572	197,047
Less: Allocated Expenses	(450,175)	(248,039)	(188,522)
Net Total Disbursements	811,350	1,210,533	399,183
Excess Receipts Over Disbursements	(371,350)	(560,608)	(189,258)
Cash Fund Balance, January 1	1,348,571	1,348,571	-
Fund Balance, December 31	$ 977,221	$ 787,963	$ (189,258)

See Note to the Budgetary Comparison Schedule

NOTE 1 – BUDGETARY COMPARISON

The budget is prepared using the same method of accounting as the financial statements. The budget presented for the general fund is presented in accordance with the cash basis of accounting. All appropriations lapse at year-end.

The budget is adopted through passage of a resolution by the board. Administration can authorize the transfer of budgeted amounts with the general fund. The State imposed an administrative levy budget limit of watershed districts of $500,000. Any revisions that alter total expenditures must be approved by the Board of Managers.

<u>Excess of Expenditures Over Appropriations</u>

For the year ended December 31, 2025, expenditures exceeded appropriations in the general fund by $399,183. These overexpenditures were partially funded by greater than anticipated revenues in that fund.

MIDDLE-SNAKE-TAMARAC RIVERS WATERSHED DISTRICT
SCHEDULE OF FUND BALANCES BY PROJECT- CASH BASIS
DECEMBER 31, 2025

		Receipts and Other Sources					Disbursements						
	Fund Balance 1/1/2025	Taxes and Special Assessments	Capital & Operating Grants	Other Receipts	Interest	Total	Administrative	Professional	Project Costs	Operations & Miscellaneous	Total	Transfers	Fund Balance 12/31/2025
GENERAL FUND:													
Administrative	$ 1,348,571	$ 406,958	$ 190,010	$ 832	$ 52,125	$ 649,925	$ 98,412	$ 118,023	$ -	$ 994,098	$ 1,210,533	$ -	$ 787,963
CAPITAL PROJECTS FUND:													
Administrative Construction	4,075,312	706,882	629,944	300	5,922	1,343,048	94,526	37,909	769,134	-	901,569	(214,801)	4,301,990
Agassiz Valley	(68,087)	-	-	10,528	-	10,528	5,891	-	16,111	6,940	28,942	-	(86,501)
Angus-Oslo #1	(605)	-	-	1,877	-	1,877	8,210	18,250	31,604	892	58,956	-	(57,684)
Angus-Oslo #4	(8,373)	-	-	-	-	-	4,782	2,227	16,191	18,905	42,105	-	(50,478)
Brandt/Angus	(149,177)	-	-	16,390	-	16,390	8,716	658	95,939	20,968	126,281	-	(259,068)
Lilac Ridge WMP	(16,347)	-	-	-	-	-	-	-	-	-	-	-	(16,347)
March Impoundment	132,382	-	-	27,735	-	27,735	3,293	-	1,400	6,501	11,194	-	148,923
Nelson Slough	75,392	-	6,079	-	-	6,079	34,501	123,105	6,684	-	164,290	-	(82,819)
PL-566	(153,304)	43,443	-	19,982	21,568	84,993	8,329	-	60,155	20,789	89,273	-	(157,584)
Riparian Aid	260,231	-	35,488	-	-	35,488	3,390	-	-	-	3,390	-	292,329
Newfolden/Middle River FPZ	(2,244,005)	-	2,831,868	120,000	-	2,951,868	13,293	176,931	1,370,498	1,301	1,562,023	90,200	(763,960)
Swift Coulee	672,625	-	1,313,371	-	5,922	1,319,293	66,496	502,380	2,333,796	-	2,902,672	124,601	(786,153)
Judicial Ditch Maintenance:													
JD # 1	152,768	171,391	-	-	5,133	176,524	8,007	-	10,382	-	18,389	-	310,903
JD # 14	52,073	59,484	-	-	1,648	61,132	25,110	13,042	83,831	-	121,983	-	(8,778)
JD # 15	1,286	57,309	-	-	567	57,876	16,692	-	49,573	-	66,265	-	(7,103)
JD # 16	72,960	47,840	-	-	2,115	49,955	2,708	-	3,684	-	6,392	-	116,523
JD # 17	70,156	7,716	-	-	1,576	9,292	3,078	-	-	-	3,078	-	76,370
JD # 20	72,149	90,082	-	-	2,467	92,549	10,558	-	7,609	-	18,167	-	146,531
JD # 21	(11,408)	21,453	-	-	132	21,585	6,494	-	5,155	-	11,649	-	(1,472)
JD # 24	40,294	3,760	-	-	906	4,666	2,391	-	1,050	-	3,441	-	41,519
JD # 25-1	82,403	43,645	-	-	2,256	45,901	1,883	-	1,445	5,429	8,757	-	119,547
JD # 25-2	(5,819)	75,311	-	-	664	75,975	11,316	8,828	22,345	14,094	56,583	-	13,573
JD # 28	25,921	41,771	-	-	1,114	42,885	10,366	-	18,703	-	29,069	-	39,737
JD # 29	134,323	58,792	-	-	3,533	62,325	7,889	-	14,528	-	22,417	-	174,231
JD # 68	9,289	6,477	-	-	288	6,765	572	-	-	-	572	-	15,482
JD # 75	(140,788)	130,569	179,755	-	(177)	310,147	6,089	510	53,386	-	59,985	-	109,374
Total Judicial Ditch Maint:	555,607	815,600	179,755	-	22,222	1,017,577	113,153	22,380	271,691	19,523	426,747	-	1,146,437
Watershed Ditch Maintenance:													
WD # 2	5,983	1,599	-	-	142	1,741	198	-	1,125	-	1,323	-	6,401
WD # 4	(2,819)	8,647	-	-	100	8,747	740	-	259	-	999	-	4,929
WD # 5	340,471	17,035	-	-	7,397	24,432	7,642	-	50,890	-	58,532	(8,557)	297,814
WD # 6	249,550	10,710	-	-	5,422	16,132	6,022	-	49,593	-	55,615	-	210,067
WD # 7	33,573	4,039	-	-	774	4,813	1,161	-	1,656	-	2,817	-	35,569
WD # 7 IMP	33,277	3,219	-	-	768	3,987	237	-	-	-	237	-	37,027
WD # 8	(1,333)	-	-	-	-	-	12,822	5,282	26,199	-	44,303	17,114	(28,522)
Unapportioned	29,071	-	-	-	846	846	-	-	449	-	449	-	29,468
Total Watershed Ditch Maint:	687,773	45,249	-	-	15,449	60,698	28,822	5,282	130,171	-	164,275	8,557	592,753
County and State Ditch Maintenance:													
SD # 3	(379,060)	151,897	113,857	-	(30,472)	235,282	4,969	225	10,100	-	15,294	-	(159,072)
CD # 39	25,074	7,455	-	-	628	8,083	655	-	-	-	655	-	32,502
CD # 39 IMP	11,938	998	-	-	265	1,263	180	-	-	-	180	-	13,021
CD # 43	(84,968)	66,328	-	-	(3,740)	62,588	4,017	815	9,489	14,447	28,768	-	(51,148)
CD # 44	27,655	25,880	-	-	1	25,881	1,637	-	5,093	14,853	21,583	-	31,953
CD # 175	119,535	33,975	-	-	1,153	35,128	5,961	-	28,902	1,301	36,164	(8,557)	109,942
Total County and State Ditch Maint:	(279,826)	286,533	113,857	-	(32,165)	368,225	17,419	1,040	53,584	30,601	102,644	(8,557)	(22,802)
Total Capital Project Fund	3,539,598	1,897,707	5,110,362	196,812	38,918	7,243,799	410,821	890,162	5,156,958	126,420	6,584,361	-	4,199,036
TOTAL	$ 4,888,169	$ 2,304,665	$ 5,300,372	$ 197,644	$ 91,043	$ 7,893,724	$ 509,233	$ 1,008,185	$ 5,156,958	$ 1,120,518	$ 7,794,894	$ -	$ 4,986,999

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Middle-Snake-Tamarac Rivers Watershed District
Warren, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America the cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Middle-Snake-Tamarac Rivers Watershed District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2026. Middle-Snake-Tamarac Rivers Watershed District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Legal Compliance

In connection with our audit, we noted that Middle-Snake-Tamarac Rivers Watershed District failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they related to accounting matters as described in the schedule of findings and responses as item 2025-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Middle-Snake-Tamarac Rivers Watershed District failed to comply with the provisions of depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Middle-Snake-Tamarac Rivers Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Middle-Snake-Tamarac Rivers Watershed District's Response to Finding

Government Audit Standards requires the auditor to perform limited procedures on Middle-Snake-Tamarac Rivers Watershed District's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings. Middle-Snake-Tamarac Rivers Watershed District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Report

The report is intended solely for the information and use of those charged with governance and management of Middle-Snake-Tamarac Rivers Watershed District and the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Brady Martz

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 16, 2026

2025-001 FINDING:

Criteria
Middle-Snake-Tamarac Rivers Watershed District is required to follow the Uniform Municipal and Contracting Laws. Per Minn. Stat. §16C.285, contracts over $175,000 requires a contractor to submit to the contracting authority a signed statement under oath by an owner or officer verifying compliance with each of the minimum criteria in subdivision 3, with the exception of clause (7), at the time that it responds to the solicitation document. A contracting authority may accept a signed statement under oath as sufficient to demonstrate that a contractor is a responsible contractor and shall not be held liable for awarding a contract in reasonable reliance on that statement.

Condition
Middle-Snake-Tamarac Rivers Watershed District entered into a contract over $175,000 for an office remodel during the year and did not obtain the responsible contractor verification form from the contractor doing the remodel.

Cause
Management oversight

Effect
Middle-Snake-Tamarac Rivers Watershed District was not in compliance with Minnesota bidding laws.

Recommendation
We recommend Middle-Snake-Tamarac Rivers Watershed District implement procedures to ensure all Minnesota bidding laws are followed for applicable contracts.

Views of Responsible Officials and Planned Corrective Actions
Middle-Snake-Tamarac Rivers Watershed District agrees with the recommendation and will implement it immediately.