BUFFALO-RED RIVER WATERSHED DISTRICT
BARNESVILLE, MINNESOTA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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BUFFALO-RED RIVER WATERSHED DISTRICT
OFFICIALS DIRECTORY
DECEMBER 31, 2025

BOARD OF MANAGERS

Member	Address	Position	Term Expires
Peter V. Fjestad	Otter Tail County	President	08-31-27
Catherine L. Affield	Wilkin County	Vice President	08-31-28
Curtis W. Stubstad	Clay County	Treasurer	08-31-26
William E. Davis	Clay County	Secretary	08-31-27
Gerald L. Van Amburg	Clay County	Manager	08-31-26
Troy E. Larson	Wilkin County	Manager	08-31-27
William D. Steffl	Becker County	Manager	08-31-27

BradyMartz

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Buffalo-Red River Watershed District
Barnesville, Minnesota

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of the Buffalo-Red River 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 and each major fund of the Buffalo-Red River Watershed District as of December 31, 2025, and the respective changes in cash basis financial position thereof 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 Buffalo-Red River 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.

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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 Buffalo-Red River Watershed 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 Buffalo-Red River Watershed 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of fund balances by project is presented for purposes of additional analysis and is 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 schedule of

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fund balances by project is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the officials directory 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, PLLC
GRAND FORKS, NORTH DAKOTA

June 16, 2026

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BUFFALO-RED RIVER WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 10,400,390
TOTAL ASSETS	10,400,390
NET CASH POSITION	
Restricted for capital projects	10,022,724
Unrestricted	377,666
TOTAL NET CASH POSITION	$ 10,400,390

See Notes to the Basic Financial Statements

BUFFALO-RED RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Receipts and Sources			Net Cash Sources (Uses) and Change in Net Cash Position
FUNCTION	Disbursements	Fees, Assessments and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total
Governmental Activities:					
General and administrative	$ 374,675	$ 1,193	$ -	$ 31,950	$ (341,532)
Fieldwork operations	4,355,384	-	-	3,842,466	(512,918)
District ditches	863,751	2,631,653	-	307	1,768,209
Total Governmental Activities	$ 5,593,810	$ 2,632,846	$ -	$ 3,874,723	913,759
	General Receipts:				
	Property taxes				1,850,737
	Intergovernmental (not restricted for special program)				
	Market value and other credits				153,900
	Interest earnings				291,146
	Total General Receipts				2,295,783
	Changes in net cash position				3,209,542
	Net Cash Position, January 1				7,190,848
	Net Cash Position, December 31				$ 10,400,390

See Notes to the Basic Financial Statements

BUFFALO-RED RIVER WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Capital Projects Fund	Total
ASSETS			
Cash and investments	$ 377,666	$ 10,022,724	$ 10,400,390
TOTAL ASSETS	377,666	10,022,724	10,400,390
CASH FUND BALANCE			
Restricted	-	10,022,724	10,022,724
Unassigned	377,666	-	377,666
TOTAL CASH FUND BALANCE	$ 377,666	$ 10,022,724	$ 10,400,390

See Notes to the Basic Financial Statements

BUFFALO-RED RIVER 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	$ 388,663	$ 1,462,074	$ 1,850,737
Special assessments	-	2,631,653	2,631,653
Intergovernmental:			
Federal	-	467,812	467,812
State	31,950	2,548,680	2,580,630
Local	-	913,832	913,832
Interest	290,195	951	291,146
Other	1,193	66,349	67,542
TOTAL RECEIPTS	712,001	8,091,351	8,803,352
DISBURSEMENTS			
General and administrative	374,675	-	374,675
Fieldwork operation projects		4,355,384	4,355,384
Drainage projects	-	863,751	863,751
TOTAL DISBURSEMENTS	374,675	5,219,135	5,593,810
Receipts Over (Under) Disbursements	337,326	2,872,216	3,209,542
Transfer From (To) Other Funds	(123,676)	123,676	-
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	213,650	2,995,892	3,209,542
Cash Fund Balance - January 1	164,016	7,026,832	7,190,848
Cash Fund Balance - December 31	$ 377,666	$ 10,022,724	$ 10,400,390

See Notes to the Basic Financial Statements

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.

Reporting Entity

The financial statements of the District include all organizations, funds and account groups over which the District's Board exercises significant influence over and/or is financially accountable or organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the Buffalo-Red River Watershed District's financial statements to be misleading.

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.

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 would 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 revenues.

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 equity, revenues, and expenditures. Funds are typically organized into three major categories: governmental, fiduciary, and proprietary. The District currently has no fiduciary or 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:

1. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type,

   AND

2. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5% 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.

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 the 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 balance 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. Fund financial statements are also presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions. 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 the current year) and certain liabilities and their related expense (such as accounts payables, 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 District does not prepare a formal budget for any funds. It goes through a process to establish the tax levy.

Revenues

In the Statement of Activities Arising from Cash Transactions, cash basis revenues 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, project special assessments, 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 becomes an enforceable lien as of January 1. Taxes are levied in September and are payable to counties on May 15 and October 15 (November 15 for farm property) of the following year. The District levies the tax, while the respective counties collect and remit the tax collections to the District. 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. Investments held are certificates of deposit and earnings from such investments are allocated to the respective funds on the basis of the average monthly fund balance in each fund. Interest is charged to each fund that have deficit fund balances.

Equity

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

1. Restricted Net Cash Position – Consists of net assets 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.

2. Unrestricted Net Cash Position – All other net assets that do 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 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 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 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 fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed.

Unassigned 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 exceed the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned and 3) 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 AND INVESTMENTS

Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC (100% if secured by a letter of credit). At December 31, 2025, the District's deposits were covered by Federal Depository Insurance as required by Minnesota Statute.

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 which would limit the amount held by any one financial institution or investment type.

NOTE 3 DEFICIT PROJECT BALANCES

Fund	Project	Balance
Capital Projects Fund	Whiskey Creek Enhancement Pj. 81	$ (418,106)
Capital Projects Fund	PJ 84 - City of Wolverton Flood Prot.	(146,134)
Capital Projects Fund	Pj. 82, Glyndon East Tributary	(103,202)
Capital Projects Fund	SBBR Watershed CWF C22-9764	(83,192)
Capital Projects Fund	PJ 83 - City of Georgetown Flood Prc	(80,051)
Capital Projects Fund	Wilkin Ditch #6A	(67,946)
Capital Projects Fund	S&D Acquisition	(60,829)
Capital Projects Fund	Project #35	(25,885)
Capital Projects Fund	Buffer-Riparian Aid	(14,945)
Capital Projects Fund	Clay Ditch #60	(10,929)
Capital Projects Fund	Project #43 - C 30	(5,614)
Capital Projects Fund	Clay Ditch #16	(2,510)
Capital Projects Fund	Red River Trib. CWF-Clay SWCD	(1,974)
Capital Projects Fund	Project #32	(1,182)
Capital Projects Fund	BRRW - WBIF - C22-7130 Tracking	(874)
Capital Projects Fund	BRRW - WBIF C24-0090 Tracking	(64)

These deficits will be eliminated primarily through future receipts and transfers from other projects.

NOTE 4 DEFINED BENEFIT PENSION PLANS

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 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 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 $12,836. 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 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; and natural disasters. The District carries commercial insurance coverage on its commercial property and for liability, personal and advertising injury, non-owned auto and a miscellaneous floater. Insurance coverage has not been reduced from the prior year, and settlements have not exceeded insurance coverage in any of the past three years.

NOTE 6 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 subject to legal actions relating to projects undertaken or attempted to be undertaken. Although the outcomes cannot be determined, the District consults with legal counsel and carries various insurance coverage to minimize the impact of such litigation.

NOTE 7 COMMITMENTS

As of December 31, 2025, the District has commitments totaling approximately $1,593,490 for three construction projects. These projects are expected to be completed in 2026 and 2028.

NOTE 8 INTERFUND TRANSFERS

Transfer In	Transfer Out	Amount
Capital Projects Fund	General Fund	$ 123,676

The purpose of the transfer is to move revenue and expenses into the correct project classes.

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year-end. Subsequent events have been evaluated through June 16, 2026, which is the date these financial statements were available to be issued.

BUFFALO-RED RIVER 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	MV Credit	Cost Sharing	Capital & Operating Grants	Other Receipts	Total	General Governmental	Professional Services	Project Costs	Miscellaneous	Total	Transfers	Fund Balance 12/31/2025
GENERAL FUND:														
Administrative	$ 164,016	$ 388,663	$ 31,815	$ -	$ 135	$ 291,388	$ 712,001	$ 344,404	$ 22,883	$ 7,388	$ -	$ 374,675	$ (123,676)	$ 377,666
CAPITAL PROJECTS FUND:														
Fieldwork Operations:														
Construction - Other	1,405,559	-	-	-	-	-	-	-	-	-	-	-	-	1,405,559
Insurance	7,100	20,370	2,425	-	-	7	22,802	-	-	-	36,446	36,446	24,995	18,451
Upper BR Sed. Reduction	102,660	-	-	-	-	10,000	10,000	-	202,384	64,095	1,671	268,150	156,851	1,361
Upper S Branch BMP PJ 85	90,531	-	-	-	249,721	-	249,721	-	224,932	117,217	-	342,149	210,527	208,630
Georgetown Low Water Crossing	3,634	-	-	-	-	-	-	-	-	-	-	-	-	3,634
Wetland Restorations	763,449	-	-	-	-	-	-	-	-	-	-	-		763,449
S&D Acquisition	(56,587)	-	-	-	-	-	-	-	4,242	-	-	4,242	-	(60,829)
Wolverton Creek - PJ 79	934,080	-	-	-	-	-	-	-	20,848	11,349	-	32,197	42,935	944,818
Whisky Creek & South Trib. Res.	125,124	-	-	-	-	-	-	-	244,837	-	-	244,837	149,798	30,085
LOTR – Head-cut CWF C24-0058	200,000	-	-	-	-	-	-	-	-	-	-	-	-	200,000
SBBR Watershed CWF C22-9764	(83,857)	-	-	-	4,856	-	4,856	-	-	-	4,191	4,191	-	(83,192)
SBBR Watershed P2 CWF C24-0053	223,000	-	-	-	-	-	-	-	-	-	-	-	-	223,000
Basic Water Management Fund #1	-	735,367	58,926	-	-	-	794,293	-	140,804	115,140	-	255,944	(486,878)	51,471
Basic Water Management Fund #2	-	741,986	60,734	-	-	-	802,720	-	-	-	-	-	(746,476)	56,244
BRRW - WBIF C21-4911	(129,684)	-	-	-	129,684	-	129,684	-	-	-	-	-	-	-
BRRW - WBIF C22-7130	(112,926)		-	-	727,903	-	727,903	-	-	318,562	-	318,562	(189,018)	107,397
BRRW - WBIF - C22-7130 Tracking	(401)	-	-	-	-	-	-	-	-	-	-	-	(473)	(874)
BRRW - WBIF C24-0090 Tracking	(200)	-	-	-	-	-	-	-	-	-	-	-	136	(64)
BRRW - WBIF C24-0090	823,039	-	-	-	-	-	-	-	-	517,716	-	517,716	(51,530)	253,793
BRRW - WBIF CRP SIP P25-0450	96,344	-	-	-	-	-	-	-	-	66,187	-	66,187	-	30,157
BR-BMP/Clay SWCD Tech Asst.	(56,983)	-	-	-	-	56,983	56,983	-	-	-	-	-	-	-
Buffer-Riparian Aid	(565)	48,784	-	-	-	-	48,784	-	-	-	-	-	(63,164)	(14,945)
PJ 83 - City of Georgetown Flood Prot.	(75,550)	-	-	-	291,956	-	291,956	-	163,148	131,973	-	295,121	(1,336)	(80,051)
PJ 84 - City of Wolverton Flood Prot.	(101,852)	-	-	-	264,742	-	264,742	-	302,758	2,684	-	305,442	(3,582)	(146,134)
Drainage General	-	-	-	-	-	-	-	-	-	3,497	-	3,497	3,497	-
Education and Training	13,661	-	-	-	-	-	-	-	8,055	-	734	8,789	23,526	28,398
Ganz Dam Removal	2,918	-	-	-	-	-	-	-	-	-	-	-	-	2,918
Otter Tail River Restoration	(76,476)	-	-	-	104,500	-	104,500	-	31,029	7,787	-	38,816	92,662	81,870
Permit Management	19,120	-	-	-	-	-	-	-	15,192	1,368	-	16,560	16,089	18,649
Red River Trib. CWF-Clay SWCD	(300,721)	-	-	-	316,811	-	316,811	-	1,114	16,950	-	18,064	-	(1,974)
Water Quality Monitoring Prog.	12,463	-	-	-	-	-	-	-	-	12,367	-	12,367	20,993	21,089
MS4 SWPPP	13,838	-	-	-	-	-	-	-	13,010	417	-	13,427	19,675	20,086
OakportCoulee/WolvertonCk Surv.	(4,870)	-	-	-	20,322	-	20,322	-	15,452	-	-	15,452	-	-
Streambreak Erosion - PJ 26	8,057	-	-	-	-	-	-	-	-	-	-	-	-	8,057
Whiskey Creek Enhancement Pj. 81	(1,015,461)	142,464	-	-	1,232,649	-	1,375,113	-	169,158	1,051,989	-	1,221,147	443,389	(418,106)
Stony Creek Comp Plan Pj 80	190,356	133,567	-	-	464,788	-	598,355	-	39,971	276,110	-	316,081	(10,337)	462,293

BUFFALO-RED RIVER WATERSHED DISTRICT
SCHEDULE OF FUND BALANCES BY PROJECT – CASH BASIS - CONTINUED
DECEMBER 31, 2025

	Fund Balance 1/1/2025	Receipts and Other Sources: Taxes and Special Assessments	MV Credit	Cost Sharing	Capital & Operating Grants	Other Receipts	Total	Disbursements: General Governmental	Professional Services	Project Costs	Miscellaneous	Total	Transfers	Fund Balance 12/31/2025
District Ditches:											-			
Becker Ditch #05	$ 36,195	$ 15,157	$ -	$ -	$ -	$ -	$ 15,157	$ -	$ -	$ 9,976	$ -	$ 9,976	$ 3,851	$ 45,227
Becker Ditch #06	994	-	-	-	-	-	-	-	-	-	-	-	170	1,164
Becker Ditch #09	29,454	25,031	-	-	-	-	25,031	-	-	693	79	772	3,725	57,438
Becker Ditch #10	12,597	3,302	-	-	-	-	3,302	-	267	2,387	-	2,654	1,266	14,511
Becker Ditch #15 - PJ 23	116,518	10,124	-	-	-	-	10,124	-	2,048	4,635	-	6,683	19,198	139,157
Becker Ditch #19	14,408	4,830	-	-	-	-	4,830	-	2,301	3,013	-	5,314	3,008	16,932
Clay Ditch #03	(6,391)	62,031	-	-	-	-	62,031	-	-	-	3,146	3,146	(231)	52,263
Clay Ditch #05	40,957	28,409	-	-	-	-	28,409	-	1,304	1,275	561	3,140	746	66,972
Clay Ditch #09	64,646	15,170	-	-	-	-	15,170	-	2,881	1,723	320	4,924	1,505	76,397
Clay Ditch #16	(14,650)	19,147	-	-	-	-	19,147	-	-	5,362	-	5,362	(1,645)	(2,510)
Clay Ditch #17	20,682	9,945	-	-	-	-	9,945	-	-	3,034	-	3,034	662	28,255
Clay Ditch #20	(5,527)	27,584	-	-	-	-	27,584	-	-	-	-	-	(449)	21,608
Clay Ditch #21	16,005	31,101	-	-	-	-	31,101	-	2,796	813	-	3,609	158	43,655
Clay Ditch #22	32,365	14,058	-	-	-	-	14,058	-	-	898	-	898	1,458	46,983
Clay Ditch #23	1,857	25,224	-	-	-	-	25,224	-	-	124	-	124	98	27,055
Clay Ditch #28	27,959	10,000	-	-	-	-	10,000	-	-	495	-	495	1,254	38,718
Clay Ditch #32	47,568	9,803	-	-	-	-	9,803	-	-	17,478	-	17,478	1,558	41,451
Clay Ditch #33	43,327	8,719	-	-	-	-	8,719	-	8,839	1,089	-	9,928	2,033	44,151
Clay Ditch #34	54,953	9,753	-	-	-	261	10,014	-	-	-	-	-	2,373	67,340
Clay Ditch #35	28,530	10,365	-	-	-	-	10,365	-	406	-	-	406	778	39,267
Clay Ditch #36	53,833	14,998	-	-	-	-	14,998	-	-	9,000	-	9,000	843	60,674
Clay Ditch #39 - PJ 7	77,578	50,714	-	-	-	-	50,714	-	-	17,124	-	17,124	3,103	114,271
Clay Ditch #40	51,713	13,871	-	-	-	-	13,871	-	244	5,006	-	5,250	1,755	62,089
Clay Ditch #49	40,114	9,839	-	-	-	-	9,839	-	-	-	-	-	1,843	51,796
Clay Ditch #51	48,904	97	-	-	-	-	97	-	-	-	-	-	2,209	51,210
Clay Ditch #53 - PJ 47	54,198	9,704	-	-	-	-	9,704	-	-	3,224	-	3,224	1,934	62,612
Clay Ditch #54	11,472	9,860	-	-	-	-	9,860	-	77	1,043	-	1,120	405	20,617
Clay Ditch #57	13,476	4,720	-	-	-	-	4,720	-	-	623	-	623	(211)	17,362
Clay Ditch #58	11,045	51,997	-	-	-	-	51,997	-	1,808	2,128	-	3,936	1,261	60,367
Clay Ditch #59 - PJ 48	3,314	24,977	-	-	-	-	24,977	-	-	549	-	549	(62)	27,680
Clay Ditch #60	(9,066)	15,865	-	-	-	-	15,865	-	880	15,475	-	16,355	(1,373)	(10,929)
Clay Ditch #63	42,295	5,000	-	-	-	-	5,000	-	-	623	-	623	1,884	48,556
Clay Ditch #65 - PJ 03	62,082	40,025	-	-	-	-	40,025	-	-	-	1,552	1,552	3,050	103,605
Wilkin Ditch #01A	60,717	4,626	-	-	-	-	4,626	-	1,655	-	-	1,655	3,689	67,377
Wilkin Ditch #01B	47,668	4,637	-	-	-	-	4,637	-	-	1,051	-	1,051	3,200	54,454
Wilkin Ditch #01C	76,892	18,566	-	-	-	-	18,566	-	-	1,077	-	1,077	5,004	99,385
Wilkin Ditch #2	67,886	10,198	-	-	-	-	10,198	-	2,054	789	-	2,843	2,850	78,091
Wilkin Ditch #3	264,064	33,995	-	-	65	-	34,060	-	102	3,603	-	3,705	15,437	309,856
Wilkin Ditch #4	64,570	19,300	-	-	-	-	19,300	-	-	21,456	-	21,456	4,505	66,919
Wilkin Ditch #5A	74,765	9,670	-	-	-	-	9,670	-	-	1,558	-	1,558	3,741	86,618
Wilkin Ditch #6A	(215,743)	180,647	-	-	-	15	180,662	-	7,327	21,077	-	28,404	(4,461)	(67,946)
Wilkin Ditch #7	95,906	4,864	-	-	-	-	4,864	-	-	549	-	549	5,278	105,499
Wilkin Ditch #12	36,168	21,184	-	-	-	-	21,184	-	-	-	8,792	8,792	1,859	50,419
Wilkin Ditch #15	49,787	9,493	-	-	-	-	9,493	-	-	593	-	593	2,924	61,611
Wilkin Ditch #22 - PJ 01	7,192	82,199	-	-	-	-	82,199	-	3,740	40,643	-	44,383	935	45,943
Wilkin Ditch #23	76,568	19,789	-	-	-	-	19,789	-	4,232	12,929	-	17,161	4,912	84,108
Wilkin Ditch #26	36,239	9,793	-	-	-	-	9,793	-	-	-	-	-	2,171	48,203
Wilkin Ditch #27	133,206	24,962	-	-	-	28	24,990	-	-	293	-	293	7,590	165,493
Wilkin Ditch #28	73,797	9,979	-	-	-	-	9,979	-	-	1,828	-	1,828	4,507	86,455
Wilkin Ditch #29	95,854	19,589	-	-	-	-	19,589	-	-	-	-	-	5,556	120,999
Wilkin Ditch #31	88,310	9,720	-	-	-	-	9,720	-	-	5,838	-	5,838	6,409	98,601
Wilkin Ditch #34	72,921	4,491	-	-	-	-	4,491	-	-	-	-	-	3,929	81,341

BUFFALO-RED RIVER WATERSHED DISTRICT
SCHEDULE OF FUND BALANCES BY PROJECT – CASH BASIS - CONTINUED
DECEMBER 31, 2025

		Receipts and Other Sources						Disbursements						
	Fund Balance 1/1/2025	Taxes and Special Assessments	MV Credit	Cost Sharing	Capital & Operating Grants	Other Receipts	Total	General Governmental	Professional Services	Project Costs	Miscellaneous	Total	Transfers	Fund Balance 12/31/2025
Wilkin Ditch #37	$ 88,726	$ 10,176	$ -	$ -	$ -	$ -	$ 10,176	$ -	$ -	$ 749	$ -	$ 749	$ 5,312	$ 103,465
Wilkin Ditch #40	60,067	9,749	-	-	-	-	9,749	-	-	965	-	965	3,210	72,061
Wilkin Ditch #41	128,788	29,392	-	-	-	-	29,392	-		5,861	-	5,861	8,094	160,413
Wilkin Ditch #42 - PJ 25	65,486	9,940	-	-	-	-	9,940	-	-	1,515	-	1,515	3,861	77,772
Wilkin Ditch #43	102,648	9,751	-	-	-	-	9,751	-	299	2,374	-	2,673	5,573	115,299
Wilkin Ditch #44 - PJ 24	76,720	20,037	-	-	-	-	20,037	-	-	6,978	-	6,978	4,483	94,262
Wilkin/Otter JD #2	(26,224)	93,268	-	-	-	6	93,274	-	-	1,602	-	1,602	(35)	65,413
Project #02 - W 22	49,193	30,008	-	-	-	-	30,008	-	-	1,768	-	1,768	3,459	80,892
Project #04	19,084	-	-	-	-	-	-	-	-	558	-	558	602	19,128
Project #05	1,034	-	-	-	-	-	-	-	-	1,662	-	1,662	1,920	1,292
Project #08	-	-	-	-	-	-	-	-	2,816	3,390	-	6,206	6,206	-
Project #13	-	-	-	-	-	-	-	-	11,622	2,631	-	14,253	14,253	-
Project #14	67,645	104,038	-	-	-	-	104,038	-	548	4,481	-	5,029	2,754	169,408
Project #16	(3,685)	19,293	-	-	-	-	19,293	-	5,312	5,264	-	10,576	(1,731)	3,301
Project #19	34,494	9,967	-	-	-	-	9,967	-	543	60	-	603	3,493	47,351
Project #20	98,405	20,092	-	-	-	-	20,092	-	6,824	-	-	6,824	4,087	115,760
Project #21	83,413	40,166	-	-	-	-	40,166	-	-	1,062	-	1,062	5,696	128,213
Project #27 - C 55	79,741	20,742	-	-	-	-	20,742	-	-	624	-	624	3,519	103,378
Project #28 - C 2	37,050	24,994	-	-	-	-	24,994	-	-	3,293	-	3,293	1,096	59,847
Project #29	-	-	-	-	-	-	-	-	-	747	-	747	10,000	9,253
Project #31	10,312	-	-	-	242	-	242	-	558	-	-	558	(387)	9,609
Project #32	(5,361)	5,042	-	-	-	-	5,042	-	682	-	-	682	(181)	(1,182)
Project #33	14,656	149,995	-	-	-	-	149,995	-	5,516	30,384	-	35,900	232	128,983
Project #35	39,442	34,979	-	-	-	-	34,979	-	6,332	94,288	-	100,620	314	(25,885)
Pj. 34/Pj. 37, Clay CD 41/41L1	281,856	74,931	-	-	-	-	74,931	-	-	45,676	-	45,676	(13,436)	297,675
Project #36	22,450	5,000	-	-	-	-	5,000	-	-	11,365	-	11,365	724	16,809
Project #38	55,764	-	-	-	-	-	-	-	1,197	587	-	1,784	2,536	56,516
Project #39	8,899	30	-	-	-	-	30	-	-	-	-	-	426	9,355
Project #40	9,397	20,398	-	-	-	-	20,398	-	-	-	27,078	27,078	26,251	28,968
Project #42	26,096	5,037	-	-	-	-	5,037	-	1,830	-	-	1,830	368	29,671
Project #43 - C 30	21,296	4,997	-	-	-	-	4,997	-	474	31,301	-	31,775	(132)	(5,614)
Project #46 - TLO	2,382	61,465	-	-	-	-	61,465	-	30,633	2,250	-	32,883	(347)	30,617
Project #49 - Oak	33,329	100,000	-	-	-	-	100,000	-	8,397	47,901	-	56,298	(584)	76,447
Project #50	20,097	-	-	-	-	-	-	-	374	-	-	374	868	20,591
Project #51	41,929	14,941	-	-	-	-	14,941	-	-	1,875	-	1,875	1,884	56,879
Project #52	34,317	10,366	-	-	-	-	10,366	-	-	558	-	558	919	45,044
Project #54	41,471	56,073	-	-	-	-	56,073	-	2,441	9,641	-	12,082	1,816	87,278
Project #55	26,993	19,780	-	-	-	-	19,780	-	-	-	-	-	1,264	48,037
Project #56	39,295	65,640	-	-	-	-	65,640	-	1,825	6,592	-	8,417	2,501	99,019
Project #57	19,068	-	-	-	-	-	-	-	172	-	-	172	956	19,852
Project #58	28,417	-	-	-	-	-	-	-	872	-	-	872	1,413	28,958
Project #61	62,523	37,805	-	-	-	-	37,805	-	4,984	19,424	864	25,272	(548)	74,508
Project #63 - Grove	19,747	5,138	-	-	-	-	5,138	-	734	-	-	734	1,093	25,244
Project #64	6,167	4,932	-	-	-	-	4,932	-	736	98	-	834	379	10,644
Project #65	5,408	3,202	-	-	-	-	3,202	-	936	-	-	936	310	7,984
Project #67	15,800	-	-	-	-	-	-	-	698	-	-	698	774	15,876
Project #68	5,123	-	-	-	-	-	-	-	811	-	-	811	235	4,547
Project #70	4,402	-	-	-	-	-	-	-	-	-	-	-	222	4,624
Project #71	13,208	10,026	-	-	-	-	10,026	-	1,759	-	-	1,759	581	22,056
Project #73	3,479	-	-	-	-	-	-	-	-	-	-	-	253	3,732
Pj. 82, Glyndon East Tributary	(249,388)	38,710	-	-	-	-	38,710	-	6,623	94,583	-	101,206	208,682	(103,202)
Project #78	156,701	1,967	-	-	-	-	1,967	-	-	8,669	-	8,669	7,967	157,966
Total Capital Projects Fund	7,026,832	4,093,727	122,085	-	3,808,239	67,300	8,091,351	-	1,746,443	3,387,258	91,193	5,219,135	123,676	10,022,724
TOTAL	$ 7,190,848	$ 4,482,390	$ 153,900	$ -	$ 3,808,374	$ 358,688	$ 8,803,352	$ 344,404	$ 1,769,326	$ 3,394,646	$ 91,193	$ 5,593,810	$ -	$ 10,400,390

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Buffalo-Red River Watershed District
Barnesville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Buffalo-Red River 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, and have issued our report thereon dated June 16, 2026. Buffalo-Red River 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, nothing came to our attention that caused us to believe that Buffalo-Red River Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements and miscellaneous provisions sections 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 relate 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 the Buffalo-Red River Watershed Management Board's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of the Report

This report is intended solely for the information and use of those charged with governance and management of Buffalo-Red River Watershed District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

June 16, 2026

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