

BROWN'S CREEK WATERSHED DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**BROWN'S CREEK WATERSHED DISTRICT
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YEAR ENDED DECEMBER 31, 2019**

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INTRODUCTORY SECTION

**BROWN'S CREEK WATERSHED DISTRICT
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2019**

WATERSHED BOARD OF MANAGERS

TITLE

Craig Leiser
Klayton Eckles
Chuck Leroux
Gerald Johnson
Sharon Schwarze

President
Vice President
Secretary
Treasurer
2nd Vice President

DISTRICT ADMINISTRATOR

Karen Kill

Administrator

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable President and Members of the District Board
Brown's Creek Watershed District
Stillwater, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brown's Creek Watershed District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Brown's Creek Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Chairman and Members of the District Board
Brown's Creek Watershed District

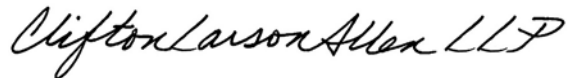
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Brown's Creek Watershed District as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund and management and planning fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 13, 2020

**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As management of the Brown's Creek Watershed District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019.

Financial Highlights

- The District's governmental activities net position increased by \$171,120. The District's governmental activities total ending net position was \$1,775,583 at year-end.
- The fund balance of the General Fund increased to \$530,189 at year-end.
- The fund balance of the Management Fund increased to \$341,037 at year-end.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements consist of the District functions that are principally supported by taxes and, to a limited extent, intergovernmental revenue. The governmental activities of the District include general government, program costs, and project costs.

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall under the category of governmental funds.

**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District currently maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Management Planning Fund.

The District adopts an annual appropriated budget for its General Fund and Management Planning Fund. A budgetary comparison has been provided for the General Fund and Management Planning Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 18 of this report.

Notes to 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 financial statements can be found on pages 19 - 27 of this report.

Government-Wide Financial Analysis

Beginning with the year ended December 31, 2004, the District's financial statements were presented in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*. Comparative information is included in these tables to highlight changes in financial position, shown in Exhibit 1.

The government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial position. Over time, increases or decreases in the District's net position can be used as an indicator of the District's financial position.

**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus a liberal approach to depreciation estimates, as well as capitalization policies, will produce a very significant difference in the calculated amounts.

For these reasons, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to focus on the current balance.

Brown's Creek Watershed District's Net Position – Governmental Activities

	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 1,439,969	\$ 1,530,017
Capital Assets, Net	921,472	942,305
Total Assets	2,361,441	2,472,322
Current Liabilities	158,041	172,750
Noncurrent Liabilities	427,817	695,109
Total Liabilities	585,858	867,859
Net Position:		
Net Investment in Capital Assets	896,032	891,425
Unrestricted	879,551	713,038
Total Net Position	\$ 1,775,583	\$ 1,604,463

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,775,583 at the close of the most recent fiscal year. Brown's Creek's recorded assets are largely in cash and investments. This cash balance is generally used to finance the District's expenses during the year. The District receives the vast majority of its income through the property tax system.

Capital assets are shown net of depreciation, where applicable. Roads are recorded after January 1, 2004 when a capital improvement is made.

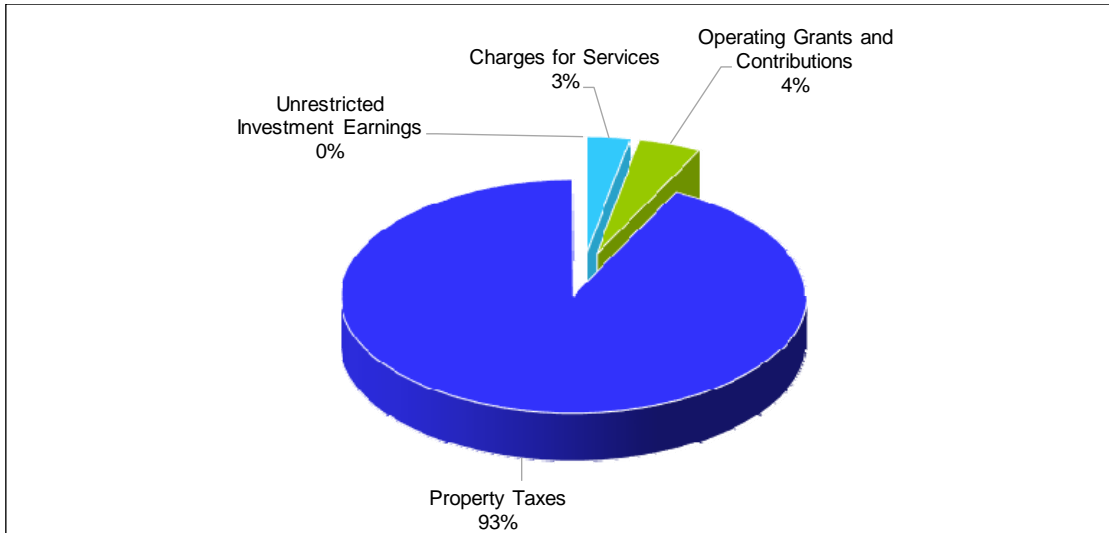
**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Governmental activities increased the District's net position by \$171,120. Key elements of the increase are as follows:

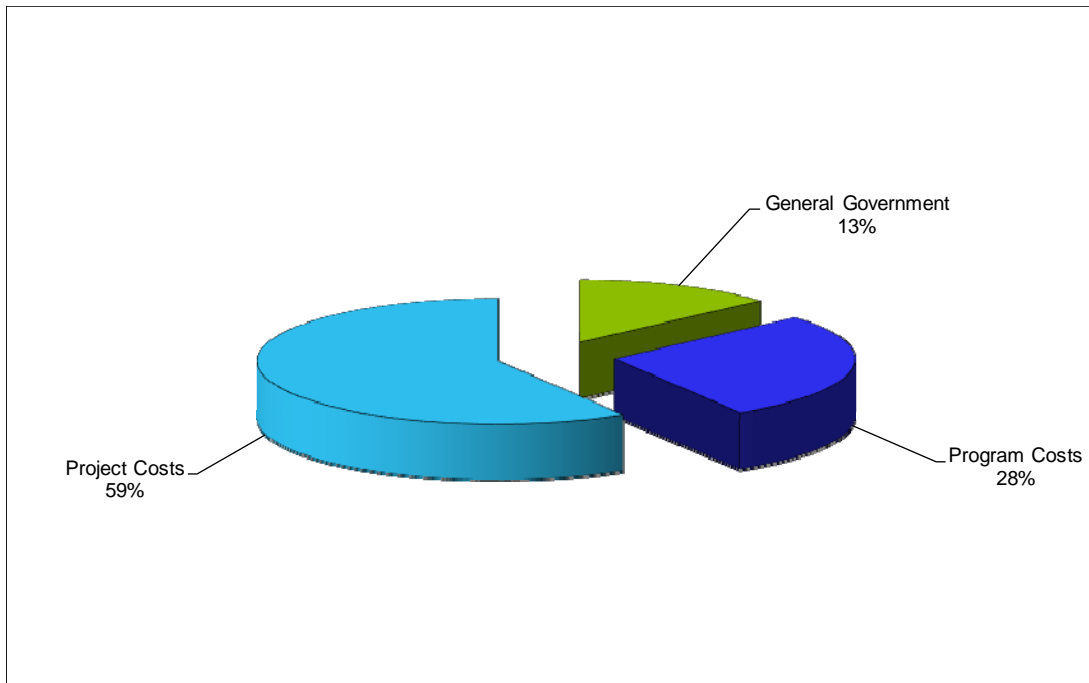
	Governmental Activities			
	2019	2018	Annual Change	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 35,080	\$ 114,993	\$ (79,913)	(69)%
Operating Grants and Contributions	51,761	38,305	13,456	35
General Revenues:				
Property Taxes	1,098,343	1,003,946	94,397	9
Unrestricted Investment Earnings	849	217	632	291
Total Revenues	<u>1,186,033</u>	<u>1,157,461</u>	<u>28,572</u>	2
EXPENSES				
General Government	136,748	141,427	(4,679)	(3)
Program Costs	282,473	263,750	18,723	7
Project Costs	595,692	586,760	8,932	2
Total Expenses	<u>1,014,913</u>	<u>991,937</u>	<u>22,976</u>	2
CHANGE IN NET POSITION	171,120	165,524	5,596	3
Net Position - Beginning of Year	<u>1,604,463</u>	<u>1,438,939</u>	<u>165,524</u>	12
NET POSITION - END OF YEAR	<u><u>\$ 1,775,583</u></u>	<u><u>\$ 1,604,463</u></u>	<u><u>\$ 171,120</u></u>	11

**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The following is a graphical representation of the various sources of the District's 2019 governmental revenues of \$1,186,033.



The following is a graphical representation of the allocation of the District's 2019 governmental expenses of \$1,014,913.



**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2019, totals \$921,472 (net of accumulated depreciation). This investment in capital assets includes land and related improvements.

**Capital Assets at Year-End
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 316,555	\$ 316,555
Construction in Progress	-	38,838
Land Improvements	691,872	646,192
Less: Accumulated Depreciation	(86,955)	(59,280)
Capital Assets, Net	\$ 921,472	\$ 942,305

Additional information on capital assets is presented in Note 4 of this report.

Long-Term Debt. The District has a note payable from a cooperative agreement with Washington County for the purchase of land for preservation purposes. At the end of 2019, the District balance due to the County was \$25,440, payable in equal annual payments of \$25,440.

Outstanding Debt at Year-End

	Governmental Activities	
	2019	2018
Notes Payable	\$ 25,440	\$ 50,880

Additional information is presented in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District Council has prepared a balanced budget for the General Fund for 2019.
- For the 2019 budget, the District will continue implementing the 2017-2026 watershed management plan.

General Fund Budgetary Highlights

Detail of the General Fund original budget, final budget, and actual revenues and expenditures can be found on pages 17 of this report. The District amended the General Fund budget during the year. Overall revenues of the General Fund were under budget by \$442, due to receiving slightly less in property tax revenue than was allocated from the levy. Expenditures in the General Fund were under budget by \$6,992 mostly due to less administrator service expenditures than budgeted in 2019. All of these factors combined to result in a favorable General Fund budget variance of \$6,550.

**BROWN'S CREEK WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Management Planning Budgetary Highlights

Detail of the Management Planning original budget, final budget, and actual revenues and expenditures can be found on page 18 of this report. The District amended the Management Planning Fund budget during the year. Overall revenues of the Management Planning Fund were under budget by \$121,711, due to grant revenue being on a cash basis but the actual activity being on an accrual basis, resulting in grant revenue to be under budget by \$151,386 which was then offset by permit fees being over budget by \$35,080 due to there not being a budgeted amount of permit revenue in 2019. Expenditures in the Management Planning Fund were under budget by \$841,525 due to program costs being under budget by \$895,243 due to mostly to less activity than expected at the time of the budget (so these budgeted project expenditures will be brought forward to 2020's budget) which was offset by permitting expenditures being over budget by \$102,136 due to the additional activity related to permitting. All of these factors combined to result in a favorable Management Planning Fund budget variance of \$725,398.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Karen Kill, Brown's Creek Watershed District, 455 Hayward Ave North, Oakdale, MN 55128.

BASIC FINANCIAL STATEMENTS

**BROWN'S CREEK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government Governmental Activities
ASSETS	
Cash and Investments	\$ 1,386,152
Receivables:	
Accounts	39,565
Taxes	14,252
Capital Assets:	
Nondepreciable Assets	316,555
Depreciable Assets, Net of Accumulated Depreciation	604,917
Total Capital Assets, Net	921,472
Total Assets	2,361,441
LIABILITIES	
Accounts Payable	33,714
Due to Other Governments	124,327
Deposits Payable	229,208
Unearned Revenue	173,169
Notes Payable - Due Within One year	25,440
Total Liabilities	585,858
NET POSITION	
Net Investment in Capital Assets	896,032
Unrestricted	879,551
Total Net Position	\$ 1,775,583

See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 136,748	\$ -	\$ -	\$ (136,748)
Program Costs	282,473	-	51,761	(230,712)
Project Costs	595,692	35,080	-	(560,612)
Total Governmental Activities	\$ 1,014,913	\$ 35,080	\$ 51,761	(928,072)
General Revenues:				
Property Taxes				1,098,343
Unrestricted Investment Earnings				849
Total General Revenues				1,099,192
Change in Net Position				171,120
Net Position				1,604,463
Net Position - End of Year				\$ 1,775,583

See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS	<u>General Fund</u>	<u>Management Planning</u>	<u>Totals</u>
Cash and Investments	\$ 575,036	\$ 811,116	\$ 1,386,152
Receivables:			
Accounts	-	39,565	39,565
Taxes	1,648	12,604	14,252
	<u>1,648</u>	<u>12,604</u>	<u>14,252</u>
 Total Assets	 <u>\$ 576,684</u>	 <u>\$ 863,285</u>	 <u>\$ 1,439,969</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
 LIABILITIES			
Accounts Payable	\$ 6,290	\$ 27,424	\$ 33,714
Due to Other Governments	18,647	105,680	124,327
Deposits Payable	-	229,208	229,208
Unearned Revenue	-	173,169	173,169
Total Liabilities	<u>24,937</u>	<u>535,481</u>	<u>560,418</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	748	7,577	8,325
 FUND BALANCE			
Committed:			
Water Resources Management Plan	-	320,227	320,227
Unassigned	550,999	-	550,999
Total Fund Balance	<u>550,999</u>	<u>320,227</u>	<u>871,226</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 576,684</u>	 <u>\$ 863,285</u>	 <u>\$ 1,439,969</u>

See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balances for Governmental Funds	\$	871,226
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	316,555	
Construction in Progress		-	
Land Improvements		691,872	
Less: Accumulated Depreciation		<u>(86,955)</u>	921,472

Some of the District's receivables (including property taxes and other long-term receivables) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

8,325

Some liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Balances at year-end are:

Notes Payable			<u>(25,440)</u>
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Total Net Position of Governmental Activities

\$ 1,775,583

**BROWN'S CREEK WATERSHED DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019**

	General Fund	Management Planning	Totals
REVENUE			
Property Taxes	\$ 166,209	\$ 929,725	\$ 1,095,934
Licenses and Permits	-	35,080	35,080
Intergovernmental Revenue:			
Grants	-	51,761	51,761
Investment Earnings	849	-	849
Total Revenue	<u>167,058</u>	<u>1,016,566</u>	<u>1,183,624</u>
EXPENDITURES			
Current:			
General Government	136,748	-	136,748
Program Costs	-	261,640	261,640
Project Costs	-	595,692	595,692
Debt Service:			
Principal	-	25,440	25,440
Total Expenditures	<u>136,748</u>	<u>882,772</u>	<u>1,019,520</u>
NET CHANGE IN FUND BALANCES	30,310	133,794	164,104
FUND BALANCES			
January 1	<u>520,689</u>	<u>186,433</u>	<u>707,122</u>
End of Year	<u>\$ 550,999</u>	<u>\$ 320,227</u>	<u>\$ 871,226</u>

See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances-Total Governmental Funds	\$	164,104
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	\$	6,842	
Depreciation Expense		<u>(27,675)</u>	(20,833)

Delinquent and deferred property taxes will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable resources in the governmental funds.

Unavailable Resources - December 31, 2018		5,916	
Unavailable Resources - December 31, 2019		<u>8,325</u>	2,409

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Note Payable			<u>25,440</u>
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Change in Net Position of Governmental Activities	\$	<u><u>171,120</u></u>
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See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Property Taxes	\$ 167,500	\$ 167,500	\$ 166,209	\$ (1,291)
Investment Earnings	-	-	849	849
Total Revenue	<u>167,500</u>	<u>167,500</u>	<u>167,058</u>	<u>(442)</u>
EXPENDITURES				
General Government:				
Per Diems	10,000	10,000	8,717	(1,283)
Engineering	25,200	25,200	24,116	(1,084)
Administrator Services	52,500	52,500	50,300	(2,200)
Legal Fees	23,400	23,400	21,802	(1,598)
Accounting	4,500	4,500	4,875	375
Audit	8,200	8,200	8,160	(40)
Postage	1,000	1,000	-	(1,000)
Printing	1,000	1,000	1,864	864
Dues and Subscriptions	6,000	6,000	5,760	(240)
Training and Seminars	2,440	2,440	2,188	(252)
Insurance and Bonds	3,500	3,500	3,400	(100)
Recording Secretary	4,000	4,000	3,193	(807)
Miscellaneous	2,000	2,000	2,373	373
Total Expenditures	<u>143,740</u>	<u>143,740</u>	<u>136,748</u>	<u>(6,992)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 23,760</u>	<u>\$ 23,760</u>	30,310	<u>\$ 6,550</u>
FUND BALANCES				
Beginning of Year			<u>520,689</u>	
End of Year			<u>\$ 550,999</u>	

See accompanying Notes to Financial Statements.

**BROWN'S CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
MANAGEMENT PLANNING FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 935,130	\$ 935,130	\$ 929,725	\$ (5,405)
Licenses and Permits	-	-	35,080	35,080
Intergovernmental Revenue:				
Grants	481,172	203,147	51,761	(151,386)
Total Revenue	<u>1,416,302</u>	<u>1,138,277</u>	<u>1,016,566</u>	<u>(121,711)</u>
EXPENDITURES				
Current:				
Program Costs	1,156,883	1,156,883	261,640	(895,243)
Project Costs:				
Baseline Monitoring and Equipment	129,300	129,300	144,864	15,564
Legal Fees	35,000	35,000	63,163	28,163
Staff Engineer	74,550	74,550	72,348	(2,202)
Permitting	35,900	35,900	138,036	102,136
Administrator Services	161,700	161,700	150,900	(10,800)
East Metro Water Resources Educator	19,300	19,300	19,300	-
Equipment Maintenance and Upgrades	25,000	19,416	7,081	(12,335)
Miscellaneous	66,808	66,808	-	(66,808)
Debt Service	25,440	25,440	25,440	-
Total Expenditures	<u>1,729,881</u>	<u>1,729,881</u>	<u>882,772</u>	<u>(841,525)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(313,579)</u>	<u>(591,604)</u>	<u>133,794</u>	<u>725,398</u>
NET CHANGE IN FUND BALANCES	<u>\$ (313,579)</u>	<u>\$ (591,604)</u>	<u>133,794</u>	<u>\$ 725,398</u>
FUND BALANCES				
Beginning of Year			<u>186,433</u>	
End of Year			<u>\$ 320,227</u>	

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Brown's Creek Watershed District (the District), Stillwater, Minnesota was originally created in 1997 by the Minnesota Board of Water and Soil Resources (the Board) as provided in Minnesota Statutes Chapter 103D. The District was established to promote the public welfare and public interest and will advance the purpose of Minnesota statutes, chapters 103B and 103D. The District is operated by a five-member Board of Managers, which consists of a chairperson, vice chair, treasurer and three supervisors. All members are appointed by county commissioners for 3 year terms and serve on a part-time basis.

Financial Reporting Entity

The accounting and reporting policies of the District relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements; GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant accounting policies of the District.

The District's basic financial statements include the accounts of all District operations. For financial reporting purposes, the accompanying financial statements present those of the District. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. Significant influence or accountability is based primarily on operational and financial relationships with the District. Component organizations are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component organization would render the financial statements of the District misleading. Based on these criteria, there are no organizations considered to be component units of the District.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements, the statement of net position, and the statement of activities (changes in net position) report information on all of the activities of the District as a whole. Governmental activities are normally supported by taxes and inter-governmental revenues. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program or function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program or function, and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue items not properly included among program revenues are reported instead as general revenues.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for Governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. A fund is classified as a major fund if it is the primary operating fund of the District (General Fund) or meets minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for major fund determination set forth in GASB Statement No. 34.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District uses funds to report on its financial position and the results of its operations. The District segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Government resources are allocated to and accounted for in individual funds based upon the purposes for which resources are to be spent and the means by which spending activities are controlled.

Governmental funds are those funds through which most governmental functions typically are financed. The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Management Planning Fund – The Management Planning fund was established pursuant to Minnesota Statutes for funding related to the development and implementation of the District's watershed management plan. By law, this plan must contain a capital improvement plan which allows watershed districts to implement projects without petition. The District may impose an ad valorem levy over the entire watershed or subwatershed to fund these projects or allow funds to accumulate to finance these capital improvement projects. The property tax levy is committed to execute the water resources management plan as filed with the Board of Water and Soil Resources.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources (cost of service) measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual. Susceptible to accrual occurs when revenues become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues to be available if they are collected within 60 days after the end of the current period. Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services and investment income. Revenue sources not susceptible to accrual are recorded only when received because they are not measurable until collected. Expenditures are recorded when the related fund liability is incurred.

Cash and Investments

Cash and investments include cash on hand, demand deposits, and investments.

The District provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund statements, and an interfund payable in the fund with the deficit, until adequate resources are received.

Property Taxes

Property tax levies are approved at the annual meeting held each year in March. The levy, so set, is certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year.

Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

Within the governmental fund financial statements, the District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. The portion of delinquent taxes not collected by the District in January is fully offset by a deferred inflow in the governmental funds because it is not available to finance current expenditures. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end.

Capital Assets

Capital assets, which include land, land improvements, and easement are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams, and drainage systems. Neither their historical cost nor related depreciation has historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District implemented the general provisions of GASB Statement No. 34 in the 2004 calendar year and has elected not to report infrastructure assets acquired in years prior to 2004.

Capital assets acquired or constructed by governmental funds are recorded as expenditures in these funds. These capital assets are not capitalized in individual governmental funds but rather are reported only in the government-wide financial statements. Depreciation of capital assets is recorded as an Allocated Expense in the statement of activities for government-wide financial statements. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of such assets are:

Asset	Years
Land Improvements	25

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows arise when potential revenue is either unavailable for recognition in the current period or meets the definition of a deferred inflow per GASB Statement No. 65. In subsequent periods, when the revenue becomes available or is no longer a deferred inflow but meets the classification of revenue, the deferred inflow is eliminated and revenue is recognized. The District types of item that qualifies for reporting in this category. Unavailable revenue related to taxes occurs because the receivables are recorded in the current year, but the revenue will not be collected and recorded until subsequent years.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide financial statements and is classified into three components:

- a) Net Investment in capital assets – This component consists of capital assets net of accumulated depreciation less any debt related to capital improvements.
- b) Restricted net position – Net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation are reflected in this component.
- c) Unrestricted net position – The remaining portion of net position that does not meet the definition of “restricted” or “invested in capital assets.”

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc).

Committed – funds are established and modified by a resolution approved by the District Board.

Assigned – consists of internally imposed constraints approved by the District Board.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Management Planning Fund. Budgeted expenditure appropriations lapse at year-end.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement process.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash management.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, actual expenditures were over the budgeted amounts in the following funds:

Fund	Budget	Actual	Excess
General Fund	\$ 143,740	\$ 136,748	\$ (6,992)

All expenditures in excess of budget were considered to be crucial to operations and were approved by the Board.

NOTE 3 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the District for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Investment earnings on cash and pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. In addition, other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Deposits

In accordance with applicable Minnesota State Statutes, the District maintains deposits at financial institutions authorized by the District Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the District's deposits in banks at December 31, 2019 was \$1,400,009 and \$1,386,152, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Transfers	Ending Balance
PRIMARY GOVERNMENT					
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land and Permanent Easements	\$ 316,555	\$ -	\$ -	\$ -	\$ 316,555
CIP	38,838	6,842	-	(45,680)	-
Total Capital Assets, Not Being Depreciated	355,393	6,842	-	(45,680)	316,555
Capital Assets, Being Depreciated:					
Land Improvements	646,192	-	-	45,680	691,872
Accumulated Depreciation for:					
Land Improvements	(59,280)	(27,675)	-	-	(86,955)
Total Capital Assets, Being Depreciated, Net	586,912	(27,675)	-	-	604,917
Governmental Activities Capital Assets, Net	<u>\$ 942,305</u>	<u>\$ (20,833)</u>	<u>\$ -</u>	<u>\$ (45,680)</u>	<u>\$ 921,472</u>

Depreciation expense was charged by function for 2019 as follows:

Governmental Activities:	
Project Costs Function	<u>\$ 27,675</u>

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 NOTE PAYABLE

During 2017, the District entered into a cooperative agreement with Washington County to purchase land for the purposes of preservation of open space, parks, and public water, commonly referred to as the Land and Water Legacy Program. After receipt of title ownership of the Property, the District will reimburse the County 50% of the purchase price \$127,200 with no interest. At the end of 2019, the District balance due to the County was \$25,440, payable in equal annual payments of \$25,440.

NOTE 6 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 for which the District carries insurance. The District pays annual premiums for its workers compensation and property and casualty insurance. Settled claims have not exceeded the District's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but no reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

NOTE 7 PERMIT COLLATERAL

The District issues permits to applicants who wish to make changes to land that may affect the water drainage or alter the lakeshore within the boundaries of the Districts. The District requires collateral to be deposited to ensure the projects are completed in accordance with the permit application, which can be Letters of Credit or cash escrows. As of December 31, 2019, the District was holding \$1,581,468 in Letters of Credit and \$202,188 of collateral cash deposits in escrow.

NOTE 8 FUND BALANCES

The District has committed by resolution the entire fund balance for the Management Planning Fund for the purpose of the fund.

**BROWN'S CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Brown's Creek Watershed District, COVID-19 may impact the operations of the District. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020 through March 19, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019, as these events occurred subsequent to year-end and are still developing.

OTHER REPORTS SECTION



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Chair and Members of the District Board
Brown's Creek Watershed District
Stillwater, 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 the Brown's Creek Watershed District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Brown's Creek 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, except as described in the schedule of findings and recommendations as item 2019-001. 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 Brown's Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of Brown's Creek Watershed District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 13, 2020

**BROWN'S CREEK WATERSHED DISTRICT
SCHEDULE OF LEGAL COMPLIANCE FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019**

Minnesota Legal Compliance Finding

2019-001: Timely Payment of Bills

Criteria: Minnesota Statute §471.425 subdivision 2, states that a municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period. In this case Brown's Creek Watershed District's standard payment period is within 35 days of the date of receipt.

Condition: The District had one disbursement out of 25 tested that was over the 35-day legal compliance standard payment period.

Effect: The District is not in compliance with Minnesota Statute §471.425 subdivision 2.

Cause: Invoice was received late so was not included in the disbursements approved by the board until the next cycle of bills the next month.

Recommendation: We recommend the District pay all invoices within the standard payment period, 35 days.