



Annual Financial Report

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Brown's Creek Watershed District

Stillwater, Minnesota

For the year ended December 31, 2023



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Brown's Creek Watershed District
 Stillwater, Minnesota
 Annual Financial Report
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INTRODUCTORY SECTION
BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED
DECEMBER 31, 2023

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Brown's Creek Watershed District
Stillwater, Minnesota
Board of Managers and Appointed Officials
For the Year Ended December 31, 2023

MANAGERS

<u>Name</u>	<u>Title</u>
Klayton Eckles	President
Celia Wirth	Vice President
Charles LeRoux	Secretary
Gerald Johnson	Treasurer
Debra Sahulka	Manager

STAFF

Karen Kill	Administrator
Cameron Blake	BCWD Communication & Project Assistant Technician

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FINANCIAL SECTION

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED
DECEMBER 31, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Brown's Creek Watershed District
Stillwater, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brown's Creek Watershed District, Minnesota (the District), as of and for the year ended December 31, 2023, 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 financial position of the governmental activities and each major fund of the District as of December 31, 2023 and the respective changes in financial position and the budgetary comparison for the General fund and the Management Planning fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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.

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Management's Discussion and Analysis

As management of the Brown's Creek Watershed District (the District), Stillwater, Minnesota, 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, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased as shown in the summary of changes in net assets table on the following pages.
- For the current fiscal year, the District's governmental funds fund balances are shown in the Financial Analysis of the District's Funds section of the MD&A. This increase in fund balance is mainly due to less expenditures than budgeted because many items were budgeted to reflect future projects.
- The unassigned fund balance in the General fund as shown in the financial analysis of the District's funds section increased from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure 1
Required Components of the
District’s Annual Financial Report**

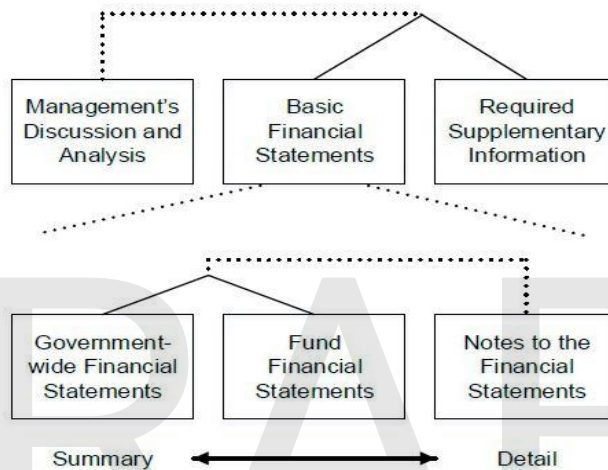


Figure 2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2
Major Features of the Government-wide and Fund Financial Statements**

	Fund Financial Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire District	The activities of the District
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

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 and liabilities, with the difference between the two 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., grants and earned but unused vacation and sick leave).

The governmental activities of the District include general government and program costs.

The government-wide financial statements start on page 22 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. The District currently maintains two governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows 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 sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The basic governmental fund financial statements start on page 26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

Government-wide Financial Analysis

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 exceeded liabilities at the close of the most recent fiscal year.

The largest portions of the District's net position are unrestricted and available to meet the ongoing needs of the District. 34 percent of the District's net position reflects its investment in capital assets (e.g., land, land improvements, and permanent easements). These assets are not available for future spending.

Brown's Creek Watershed District's Summary of Net Position

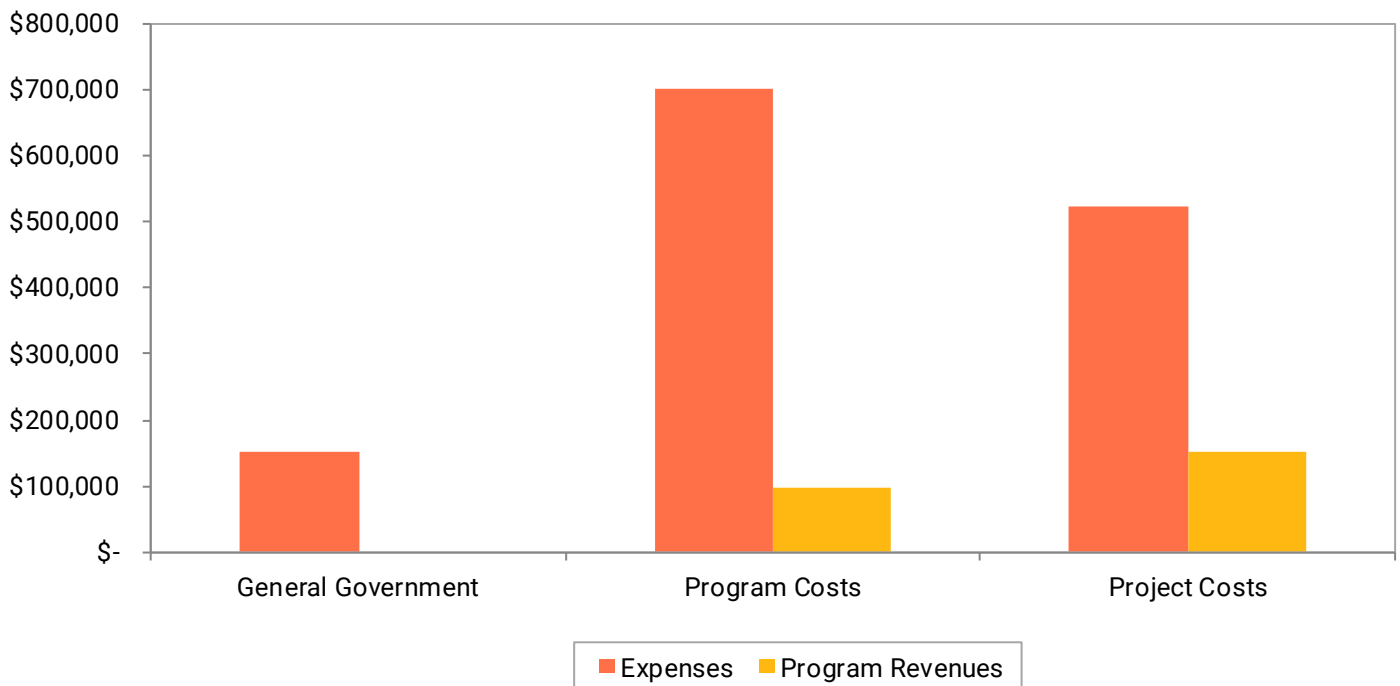
	December 31,		Increase (Decrease)
	2023	2022	
Assets			
Current	\$ 1,596,874	\$ 1,848,551	\$ (251,677)
Capital	615,429	628,423	(12,994)
Total Assets	<u>2,212,303</u>	<u>2,476,974</u>	<u>(264,671)</u>
Liabilities			
Current	<u>391,740</u>	<u>683,408</u>	<u>(291,668)</u>
Net Position			
Investment in capital assets	615,429	628,423	(12,994)
Unrestricted	<u>1,205,134</u>	<u>1,165,143</u>	<u>39,991</u>
Total Net Position	<u>\$ 1,820,563</u>	<u>\$ 1,793,566</u>	<u>\$ 26,997</u>
Net Position as a Percent of Total			
Investment in capital assets	34 %	35	
Unrestricted	<u>66</u>	<u>65</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

Brown's Creek Watershed District's Changes in Net Position

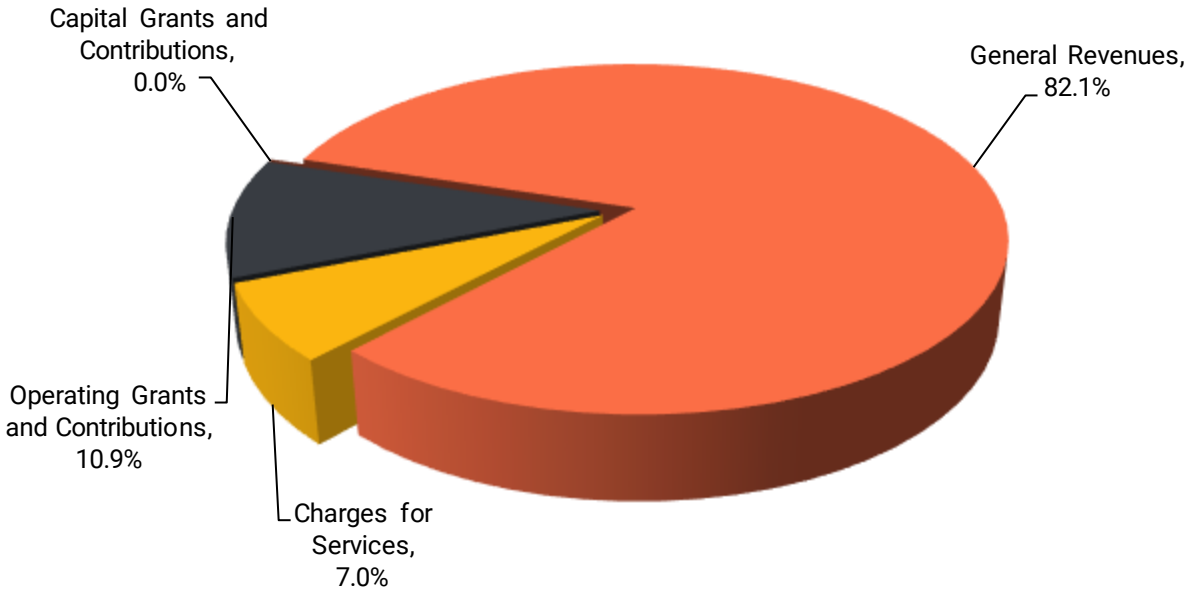
Governmental Activities. Governmental activities increased the District's net position due to less expenditures than budgeted.

	December 31,		Increase (Decrease)
	2023	2022	
Revenues			
Program			
Charges for services	\$ 98,740	\$ 93,938	\$ 4,802
Operating grants and contributions	153,052	217,776	(64,724)
General			
Property taxes	1,144,555	1,087,914	56,641
Unrestricted investment earnings	7,890	846	7,044
Total Revenues	<u>1,404,237</u>	<u>1,400,474</u>	<u>3,763</u>
Expenses			
General government	150,904	146,450	4,454
Program costs	702,578	638,944	63,634
Project costs	523,758	507,280	16,478
Total Expenses	<u>1,377,240</u>	<u>1,292,674</u>	<u>84,566</u>
Change in Net Position	26,997	107,800	(80,803)
Net Position, January 1	1,793,566	1,910,471	(116,905)
Prior Period Adjustment	-	(224,705)	224,705
Net Position, December 31	<u>\$ 1,820,563</u>	<u>\$ 1,793,566</u>	<u>\$ 26,997</u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,198,195, an increase of \$40,649 in comparison with the prior year. Approximately 53 percent of this total amount, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance is committed for the water resources management plan.

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund was \$637,454. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 422 percent of 2023 actual expenditures and 291.8 percent of 2024 budgeted expenditures. The General fund balance increased by \$16,597 during the current fiscal year.

The fund balance of the Management Planning fund at year end was \$560,741 which is an increase of \$23,752 from the prior year. This was due to expenditure being well below budget because many future projects are budgeted for, but still in the planning stage.

General Fund Budgetary Highlights

The District's General fund budget was not amended during the year. The actual results were more favorable than those projected by the 2023 budget. Revenues were over budget by \$8,136. Expenditures were under budget by \$64,105.

Management Planning Fund Budgetary Highlights

The District's Management Planning fund budget was not amended during the year. The actual results were more favorable than those projected by the 2023 budget. Revenues were under budget by \$79,661, which can be attributed to grant revenue being under budget. Expenditures were substantially lower than budgeted which is mostly due to the timing of projects.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2023 amounts to \$615,429 (net of accumulated depreciation). This investment in capital assets includes land, easements, and land improvements.

Additional information on the District's capital assets can be found in Note 3B on page 38 of this report.

Brown's Creek Watershed District's Capital Assets (Net of Depreciation)

	December 31,		Increase (Decrease)
	2023	2022	
Land and Permanent Easements	\$ 316,555	\$ 316,555	\$ -
Land Improvements	298,874	311,868	(12,994)
Total	<u>\$ 615,429</u>	<u>\$ 866,122</u>	<u>\$ (12,994)</u>

Economic Factors and Next Year's Budgets

The District goes through a multi-stage process to develop its annual budget.

- Staff reviews the ten-year Watershed Management Plan Implementation Plan and all completed water resource implementation plans for proposed activities.
- Staff contacts all municipalities and agencies to discuss potential cooperative projects and stakeholder priorities.
- Board meets as many times as necessary for a budget workshop to assess the previous year's work plan and consider projected projects and programs. The Board met July 28, 2022 to develop an initial 2023 budget.
- Board holds a public hearing to receive public comment on the proposed draft levy and budget. For the 2024 budget, the public hearing was held September 13, 2023.
- Board certifies initial levy to the County in September.
- The budget is presented to the County Commissioners in a public workshop.
- Between September through December, Board reviews projects and programs. The Board determines if the final budget and levy can be reduced at the regular December Board meeting.
- Prior to final certification, the Board of Managers took any additional public comment on the 2024 Budget and Levy on December 13, 2023 at the regular meeting.
- Final levy is certified in December.

For the 2024 budget, the District will continue implementing the 2017 - 2026 watershed management plan.

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, Administrator, Brown's Creek Watershed District, 455 Hayward Ave North, Oakdale, MN 55128.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED
DECEMBER 31, 2023

Brown's Creek Watershed District
 Stillwater, Minnesota
 Statement of Net Position
 December 31, 2023

	Governmental Activities
Assets	
Cash and temporary investments	\$ 1,388,874
Receivables	
Accounts	122,045
Taxes	12,323
Due from other governments	73,632
Capital assets	
Nondepreciable assets	316,555
Depreciable assets, net of accumulated depreciation	298,874
Total Assets	2,212,303
Liabilities	
Accounts payable	86,029
Due to other governments	93,995
Deposits payable	211,716
Total Liabilities	391,740
Net Position	
Investment in capital assets	615,429
Unrestricted	1,205,134
Total Net Position	\$ 1,820,563

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The notes to the financial statements are an integral part of this statement.

Brown's Creek Watershed District
 Stillwater, Minnesota
 Statement of Activities
 For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 150,904	\$ -	\$ -	\$ -	\$ (150,904)
Program costs	702,578	98,740	-	-	(603,838)
Project costs	523,758	-	153,052	-	(370,706)
 Total	 \$ 1,377,240	 \$ 98,740	 \$ 153,052	 \$ -	 \$ (1,125,448)
 General Revenues					
Property taxes					1,144,555
Unrestricted investment earnings					7,890
Total General Revenues					1,152,445
Change in Net Position					26,997
Net Position, January 1					1,793,566
Net Position, December 31					\$ 1,820,563

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The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED
DECEMBER 31, 2023

Brown's Creek Watershed District
 Stillwater, Minnesota
 Balance Sheet
 Governmental Funds
 December 31, 2023

	General	Management Planning	Total Governmental Funds
Assets			
Cash and temporary investments	\$ 646,703	\$ 742,171	\$ 1,388,874
Receivables			
Accounts	-	122,045	122,045
Taxes	-	12,323	12,323
Due from other governments	-	73,632	73,632
	<u>\$ 646,703</u>	<u>\$ 950,171</u>	<u>\$ 1,596,874</u>
Liabilities			
Accounts payable	\$ 9,249	\$ 76,780	\$ 86,029
Due to other governments	-	93,995	93,995
Deposits payable	-	211,716	211,716
Total Liabilities	<u>9,249</u>	<u>382,491</u>	<u>391,740</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	-	6,939	6,939
Fund Balances			
Committed			
Water resources management plan	-	560,741	560,741
Unassigned	637,454	-	637,454
Total Fund Balances	<u>637,454</u>	<u>560,741</u>	<u>1,198,195</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance			
	<u>\$ 646,703</u>	<u>\$ 950,171</u>	<u>\$ 1,596,874</u>

The notes to the financial statements are an integral part of this statement.

Brown's Creek Watershed District
Stillwater, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2023

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental	\$ 1,198,195
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	641,417
Less accumulated depreciation	(25,988)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	<u>6,939</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,820,563</u></u>

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Brown's Creek Watershed District
 Stillwater, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2023

	General	Management Planning	Total Governmental Funds
Revenues			
Property taxes	\$ 159,365	\$ 983,906	\$ 1,143,271
Intergovernmental			
Market value agricultural credit	246	1,396	1,642
Grants	-	153,052	153,052
Permit fees	-	98,740	98,740
Interest income	7,890	-	7,890
Total Revenues	<u>167,501</u>	<u>1,237,094</u>	<u>1,404,595</u>
Expenditures			
Current			
General government	150,904	-	150,904
Program costs	-	702,578	702,578
Project costs	-	510,764	510,764
Total Expenditures	<u>150,904</u>	<u>1,213,342</u>	<u>1,364,246</u>
Net Change in Fund Balances	16,597	23,752	40,349
Fund Balances, January 1	<u>620,857</u>	<u>536,989</u>	<u>1,157,846</u>
Fund Balances, December 31	<u>\$ 637,454</u>	<u>\$ 560,741</u>	<u>\$ 1,198,195</u>

The notes to the financial statements are an integral part of this statement.

Brown's Creek Watershed District
 Stillwater, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2023

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 40,349
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Depreciation expense	(12,994)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	<u>(358)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 26,997</u></u>

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Brown's Creek Watershed District
Stillwater, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 159,365	\$ 159,365	\$ 159,365	\$ -
Intergovernmental				
Market value agricultural credit	-	-	246	246
Miscellaneous	-	-	7,890	7,890
Total Revenues	<u>159,365</u>	<u>159,365</u>	<u>167,501</u>	<u>8,136</u>
Expenditures				
Current				
General government				
Per diems	10,000	10,000	7,133	2,867
Engineering	27,090	27,090	27,879	(789)
Administrator services	55,640	55,640	56,523	(883)
Legal fees	29,480	29,480	24,827	4,653
Accounting	4,305	4,305	4,520	(215)
Audit	9,350	9,350	10,000	(650)
Postage	1,000	1,000	-	1,000
Printing	1,000	1,000	2,350	(1,350)
Dues and subscriptions	7,000	7,000	8,657	(1,657)
Training and seminars	58,644	58,644	2,813	55,831
Insurance and bonds	5,500	5,500	5,276	224
Recording secretary	4,000	4,000	-	4,000
Miscellaneous	2,000	2,000	926	1,074
Total Expenditures	<u>215,009</u>	<u>215,009</u>	<u>150,904</u>	<u>64,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,644)	(55,644)	16,597	72,241
Fund Balances, January 1	<u>620,857</u>	<u>620,857</u>	<u>620,857</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 565,213</u>	<u>\$ 565,213</u>	<u>\$ 637,454</u>	<u>\$ 72,241</u>

The notes to the financial statements are an integral part of this statement.

Brown's Creek Watershed District
Stillwater, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Management Planning Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 989,654	\$ 989,654	\$ 983,906	\$ (5,748)
Intergovernmental				
Market value agricultural credit	1,396	1,396	1,396	-
Grants	325,705	325,705	153,052	(172,653)
Permit fees	-	-	98,740	98,740
	<u>1,316,755</u>	<u>1,316,755</u>	<u>1,237,094</u>	<u>(79,661)</u>
Total Revenues				
Expenditures				
Current				
Program costs				
Baseline monitoring and equipment	170,715	170,715	141,101	29,614
Legal fees	52,000	52,000	37,217	14,783
Staff engineer	86,166	86,166	83,636	2,530
Permitting	66,500	66,500	250,741	(184,241)
Administrator services	170,010	170,010	169,402	608
East metro water resources educator	20,500	20,500	20,481	19
Project costs	<u>1,925,595</u>	<u>1,925,595</u>	<u>510,764</u>	<u>1,414,831</u>
Total Expenditures	<u>2,491,486</u>	<u>2,491,486</u>	<u>1,213,342</u>	<u>1,278,144</u>
Net Change in Fund Balances	(1,174,731)	(1,174,731)	23,752	1,198,483
Fund Balances, January 1	<u>536,989</u>	<u>536,989</u>	<u>536,989</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (637,742)</u>	<u>\$ (637,742)</u>	<u>\$ 560,741</u>	<u>\$ 1,198,483</u>

The notes to the financial statements are an integral part of this statement.

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Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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 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.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for service, assessments to members, grants and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the organization.

Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlement and donations. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The District reports the following major governmental funds:

The *General fund* is the District's primary operating fund. It accounts for all financial resources not accounted for in a different fund of the District.

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 sub-watershed 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.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
8. 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.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property Tax Revenue Recognition

The Board of Managers annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the District, the local School District, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. The District has no ability to enforce payments of property taxes by property owners. The County possesses this authority.

Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. All the receivables are deemed collectible.

Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, land improvements and easements are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 (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 asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquired capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Board of Managers adopts an annual budget for the General and Management Planning fund of the District on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. There were amendments to the budget during 2023. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The District monitors budget performance on a fund basis.

The District does not use encumbrance accounting.

Note 3: Detailed Notes on Accounts

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party.

In accordance with Minnesota statutes and as authorized by the Board, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Brown's Creek Watershed District
 Stillwater, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 3: Detailed Notes on Accounts (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds.
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity.
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service.
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity.
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any Federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits, bank balance, FDIC coverage and pledges collateral are shown in chart below.

Carrying amount of deposits	<u><u>\$ 875,817</u></u>
Carrying amount of deposits	\$ 875,817
Covered by FDIC	(250,000)
Collateralized with securities pledged in District's name	<u><u>\$ 625,817</u></u>

Investments

As of December 31, 2023, the District had the following investments that are insured or registered, or securities held by the District's agent in the District's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Money market	N/A	less than 6 months	<u><u>\$ 513,057</u></u>

Brown's Creek Watershed District
 Stillwater, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 3: Detailed Notes on Accounts (Continued)

Ratings are provided by Standard & Poor's agency where applicable to indicate associated credit risk.

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District's follows:

Carrying amount of deposits	\$ 875,817
Investments	<u>513,057</u>
 Total cash and temporary investments	 <u><u>\$ 1,388,874</u></u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not Being Depreciated				
Land and permanent easements	\$ 316,555	\$ -	\$ -	\$ 316,555
Capital Assets, Being Depreciated				
Land improvements	324,862	-	-	324,862
Less Accumulated Depreciation for Land improvements	<u>(12,994)</u>	<u>(12,994)</u>	<u>-</u>	<u>(25,988)</u>
 Total Capital Assets Being Depreciated, Net	 <u>311,868</u>	 <u>(12,994)</u>	 <u>-</u>	 <u>298,874</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$ 628,423</u></u>	 <u><u>\$ (12,994)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 615,429</u></u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Programs	\$ 12,994

Brown's Creek Watershed District
Stillwater, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Other Information

A. 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 not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. Permit Collateral

The District issues permits to applicants who wish to make changes to land that may affect the water drainage or alter the lake shore within the boundaries of the District. The District requires collateral to be deposited to ensure the projects are completed in accordance with the permit application. As of December 31, 2023, the District was holding \$211,716 of collateral deposits.

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OTHER REQUIRED REPORT
BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Board of Managers
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), Stillwater, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated NEED DATE.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 insofar as they 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 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 those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo
Minneapolis, Minnesota
NEED DATE