

**ANNUAL FINANCIAL REPORT**

BROWN'S CREEK WATERSHED DISTRICT  
STILLWATER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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Browns Creek Watershed District  
Stillwater, Minnesota  
Annual Financial Report  
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For the Year Ended December 31, 2024

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INTRODUCTORY SECTION

BROWN'S CREEK WATERSHED DISTRICT  
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED  
DECEMBER 31, 2024

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Browns Creek Watershed District  
Stillwater, Minnesota  
Board of Managers and Appointed Officials  
For the Year Ended December 31, 2024

**MANAGERS**

<u>Name</u>	<u>Title</u>
Klayton Eckles	President
Chuck Leroux	Vice President
Larry Odebrecht	2nd Vice President
Celia Wirth	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, 2024

## **INDEPENDENT AUDITOR'S REPORT**

Board of Managers  
Browns 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 Browns Creek Watershed District, Minnesota (the District), as of and for the year ended December 31, 2024, 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, 2024 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 is the responsibility of management and, 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 Browns 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, 2024. 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 decreased 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. The decrease in fund balance is mainly due to project expenditures in the Management Planning fund.
- 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**

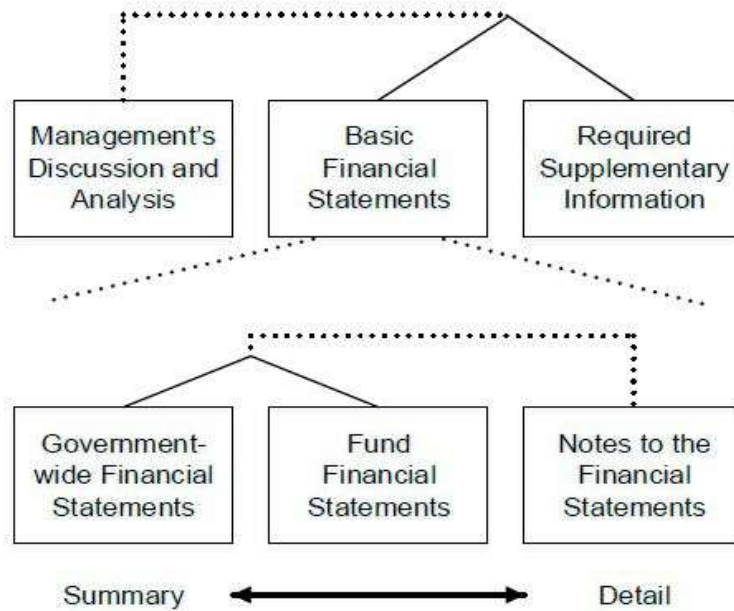


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
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 24 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. 42 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.

## Browns Creek Watershed District's Summary of Net Position

	December 31,		Increase (Decrease)
	2024	2023	
<b>Assets</b>			
Current	\$ 1,483,536	\$ 1,596,874	\$ (113,338)
Capital	706,788	615,429	91,359
<b>Total Assets</b>	<u>2,190,324</u>	<u>2,212,303</u>	<u>(21,979)</u>
<b>Liabilities</b>			
Current	<u>509,945</u>	<u>391,740</u>	<u>118,205</u>
<b>Net Position</b>			
Investment in capital assets	706,788	615,429	91,359
Unrestricted	<u>973,591</u>	<u>1,205,134</u>	<u>(231,543)</u>
<b>Total Net Position</b>	<u>\$ 1,680,379</u>	<u>\$ 1,820,563</u>	<u>\$ (140,184)</u>
<b>Net Position as a Percent of Total</b>			
Investment in capital assets	42 %	34	
Unrestricted	<u>58</u>	<u>66</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

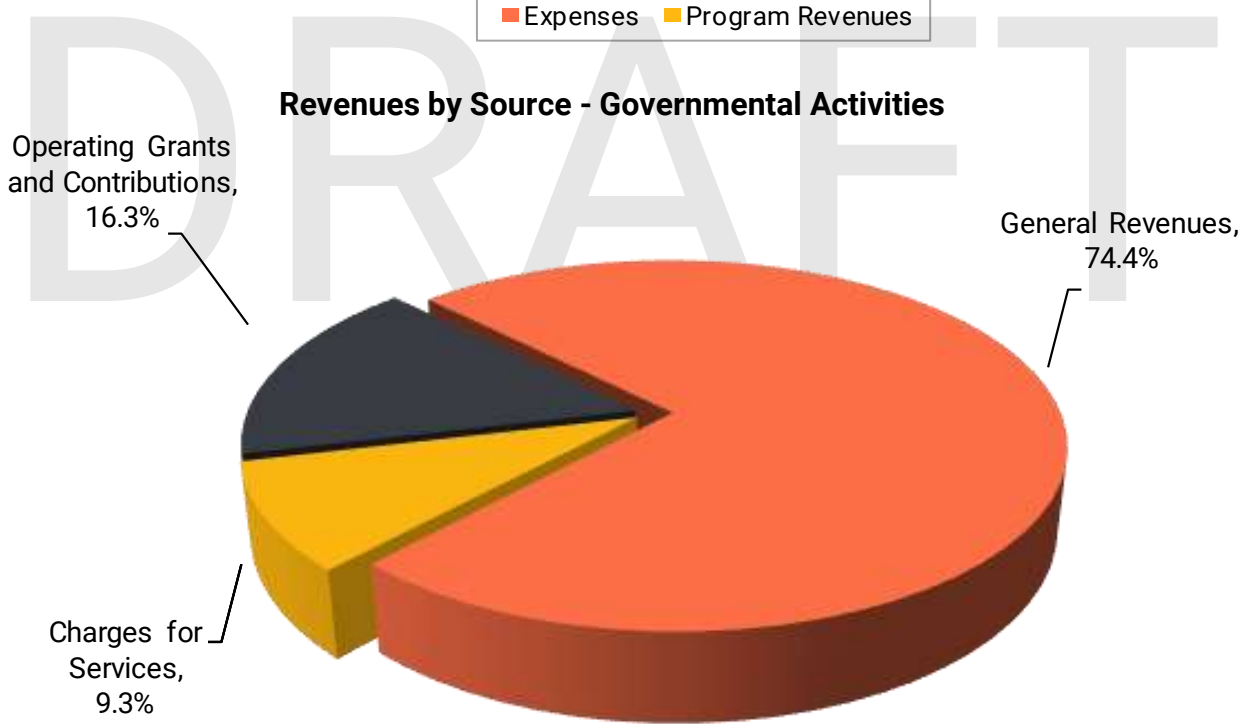
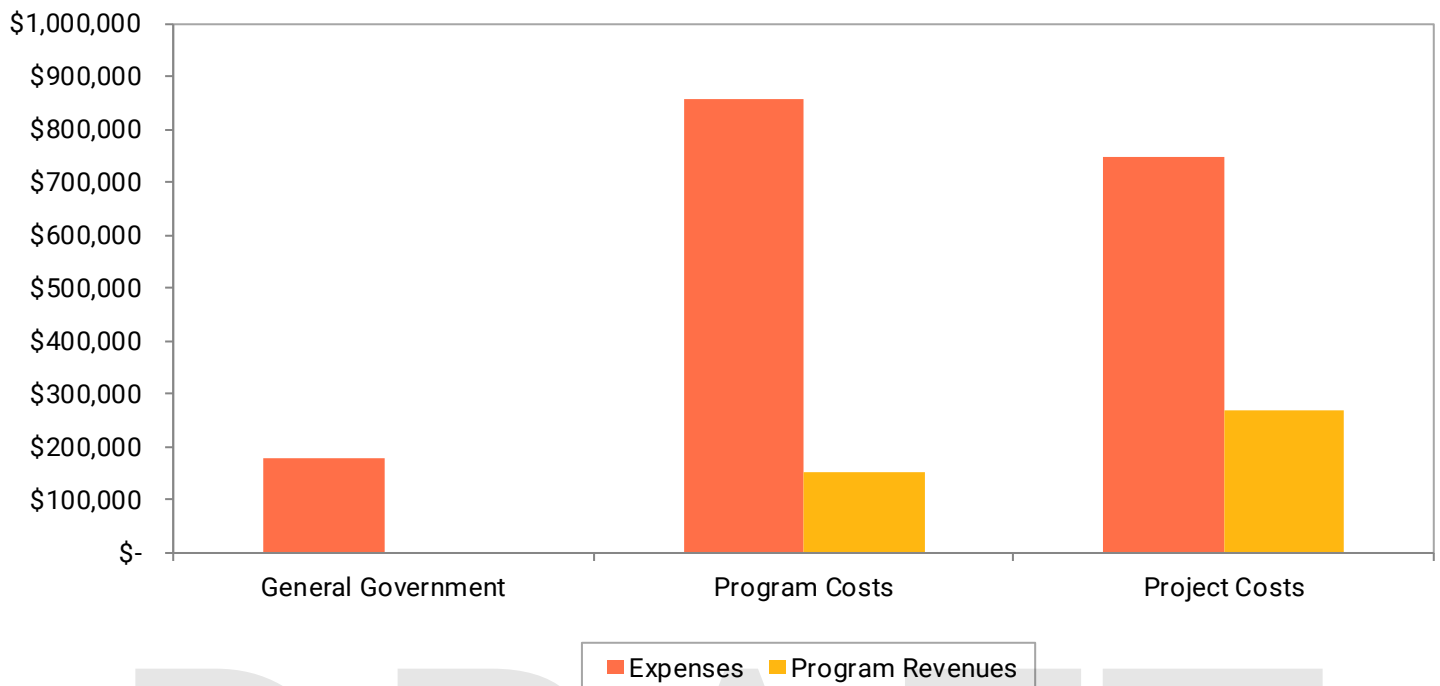
## Browns Creek Watershed District's Changes in Net Position

**Governmental Activities.** Governmental activities decreased the District's net position due to expenditures exceeding program and general revenues mainly because of project costs in the Management Planning fund.

	December 31,		Increase (Decrease)
	2024	2023	
<b>Revenues</b>			
<b>Program</b>			
Charges for services	\$ 153,492	\$ 98,740	\$ 54,752
Operating grants and contributions	267,899	153,052	114,847
<b>General</b>			
Property taxes	1,173,618	1,144,555	29,063
Unrestricted investment earnings	<u>50,104</u>	<u>7,890</u>	<u>42,214</u>
<b>Total Revenues</b>	<u>1,645,113</u>	<u>1,404,237</u>	<u>240,876</u>
<b>Expenses</b>			
General government	177,356	150,904	26,452
Program costs	858,616	702,578	156,038
Project costs	<u>749,325</u>	<u>523,758</u>	<u>225,567</u>
<b>Total Expenses</b>	<u>1,785,297</u>	<u>1,377,240</u>	<u>408,057</u>
<b>Change in Net Position</b>	(140,184)	26,997	(167,181)
<b>Net Position, January 1</b>	1,820,563	1,793,566	26,997
<b>Net Position, December 31</b>	<u>\$ 1,680,379</u>	<u>\$ 1,820,563</u>	<u>\$ (140,184)</u>



The following graph depicts various governmental activities and shows the revenue and expenses directly related to those 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 \$963,225, a decrease of \$234,970 in comparison with the prior year. Approximately 70 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 \$670,196. 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 378 percent of 2024 actual expenditures and 293 percent of 2025 budgeted expenditures. The General fund balance increased by \$32,742 during the current fiscal year.

The fund balance of the Management Planning fund at year end was \$293,029 which is a decrease of \$267,712 from the prior year. This was due to expenditures increasing by 40 percent compared to the previous year. The majority of the increase was for project costs, permitting, and administrator services.

**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 2024 budget. Revenues were over budget by \$50,323. Expenditures were under budget by \$21,592.

**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 2024 budget. Revenues were over budget by \$18,054, which can be attributed to permit revenue which the district does not 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, 2024 amounts to \$706,788 (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.

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

	December 31,		Increase (Decrease)
	2024	2023	
Land and Permanent Easements	\$ 316,555	\$ 316,555	\$ -
Land Improvements	390,233	298,874	91,359
Total	<u>\$ 706,788</u>	<u>\$ 615,429</u>	<u>\$ 91,359</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, Browns 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, 2024

Browns Creek Watershed District  
 Stillwater, Minnesota  
 Statement of Net Position  
 December 31, 2024

	Governmental Activities
<b>Assets</b>	
Cash and temporary investments	\$ 1,044,065
Receivables	
Accounts	159,172
Taxes	17,900
Due from other governments	262,399
Capital assets	
Nondepreciable assets	316,555
Depreciable assets, net of accumulated depreciation	390,233
<b>Total Assets</b>	<b>2,190,324</b>
<b>Liabilities</b>	
Accounts payable	143,359
Due to other governments	126,444
Deposits payable	240,142
<b>Total Liabilities</b>	<b>509,945</b>
<b>Net Position</b>	
Investment in capital assets	706,788
Unrestricted	973,591
<b>Total Net Position</b>	<b>\$ 1,680,379</b>

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

Browns Creek Watershed District  
 Stillwater, Minnesota  
 Statement of Activities  
 For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
General government	\$ 177,356	\$ -	\$ -	\$ -	\$ (177,356)
Program costs	858,616	153,492	-	-	(705,124)
Project costs	749,325	-	267,899	-	(481,426)
<b>Total</b>	<b>\$ 1,785,297</b>	<b>\$ 153,492</b>	<b>\$ 267,899</b>	<b>\$ -</b>	<b>\$ (1,363,906)</b>
General Revenues					
Property taxes					1,173,618
Unrestricted investment earnings					50,104
<b>Total General Revenues</b>					<b>1,223,722</b>
Change in Net Position					(140,184)
Net Position, January 1					1,820,563
Net Position, December 31					<b>\$ 1,680,379</b>

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FUND FINANCIAL STATEMENTS

BROWN'S CREEK WATERSHED DISTRICT  
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED  
DECEMBER 31, 2024

Browns Creek Watershed District  
 Stillwater, Minnesota  
 Balance Sheet  
 Governmental Funds  
 December 31, 2024

	General	Management Planning	Total Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 677,821	\$ 366,244	\$ 1,044,065
Receivables			
Accounts	-	159,172	159,172
Taxes	-	17,900	17,900
Due from other governments	-	262,399	262,399
	<u>\$ 677,821</u>	<u>\$ 805,715</u>	<u>\$ 1,483,536</u>
<b>Liabilities</b>			
Accounts payable	\$ 7,625	\$ 135,734	\$ 143,359
Due to other governments	-	126,444	126,444
Deposits payable	-	240,142	240,142
Total Liabilities	<u>7,625</u>	<u>502,320</u>	<u>509,945</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	-	10,366	10,366
<b>Fund Balances</b>			
Committed			
Water resources management plan	-	293,029	293,029
Unassigned	670,196	-	670,196
Total Fund Balances	<u>670,196</u>	<u>293,029</u>	<u>963,225</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
	<u>\$ 677,821</u>	<u>\$ 805,715</u>	<u>\$ 1,483,536</u>

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

Browns Creek Watershed District  
 Stillwater, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2024

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

Total Fund Balances - Governmental	\$	963,225
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of capital assets		750,119
Less accumulated depreciation		(43,331)
<p>Noncurrent liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of:</p>		
Compensated absences payable		-
Other postemployment benefits payable		-
Note payable		-
Less deferred charges net of accumulated amortization		-
<p>Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>		
Delinquent taxes receivable		10,366
Governmental funds do not report a liability for accrued interest until due and payable		-
Total Net Position - Governmental Activities		\$ 1,680,379

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

Browns Creek Watershed District  
 Stillwater, Minnesota  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2024

	General	Management Planning	Total Governmental Funds
Revenues			
Property taxes	\$ 159,775	\$ 1,008,849	\$ 1,168,624
Intergovernmental			
Market value agricultural credit	219	1,348	1,567
Grants	-	267,899	267,899
Permit fees	-	153,492	153,492
Interest income	50,104	-	50,104
Total Revenues	<u>210,098</u>	<u>1,431,588</u>	<u>1,641,686</u>
Expenditures			
Current			
General government	177,356	-	177,356
Program costs	-	858,616	858,616
Project costs	-	840,684	840,684
Total Expenditures	<u>177,356</u>	<u>1,699,300</u>	<u>1,876,656</u>
Net Change in Fund Balances	32,742	(267,712)	(234,970)
Fund Balances, January 1	<u>637,454</u>	<u>560,741</u>	<u>1,198,195</u>
Fund Balances, December 31	<u>\$ 670,196</u>	<u>\$ 293,029</u>	<u>\$ 963,225</u>

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

Browns 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, 2024

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

Total Net Change in Fund Balances - Governmental Funds	\$ (234,970)
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.	
Depreciation expense	(17,343)
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.	
Property taxes	<u>3,427</u>
Change in Net Position - Governmental Activities	<u><u>\$ (248,886)</u></u>

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Browns 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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 159,775	\$ 159,775	\$ 159,775	\$ -
Intergovernmental				
Market value agricultural credit	-	-	219	219
Miscellaneous	-	-	50,104	50,104
Total Revenues	<u>159,775</u>	<u>159,775</u>	<u>210,098</u>	<u>50,323</u>
Expenditures				
Current				
General government				
Per diems	10,000	10,000	8,762	1,238
Engineering	28,445	28,445	28,314	131
Administrator services	58,670	58,670	73,669	(14,999)
Legal fees	30,800	30,800	26,076	4,724
Accounting	4,560	4,560	4,560	-
Audit	10,300	10,300	10,300	-
Postage	1,000	1,000	-	1,000
Office	-	-	53	(53)
Printing	1,000	1,000	1,069	(69)
Dues and subscriptions	9,000	9,000	7,498	1,502
Training and seminars	32,823	32,823	2,435	30,388
Insurance and bonds	6,000	6,000	5,207	793
Recording secretary	-	-	-	-
Equipment	4,350	4,350	4,333	17
Miscellaneous	2,000	2,000	5,080	(3,080)
Total Expenditures	<u>198,948</u>	<u>198,948</u>	<u>177,356</u>	<u>21,592</u>
Net Change in Fund Balances	(39,173)	(39,173)	32,742	71,915
Fund Balances, January 1	<u>637,454</u>	<u>637,454</u>	<u>637,454</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 598,281</u>	<u>\$ 598,281</u>	<u>\$ 670,196</u>	<u>\$ 71,915</u>

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

Browns 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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,019,680	\$ 1,019,680	\$ 1,008,849	\$ (10,831)
Intergovernmental				
Market value agricultural credit	1,348	1,348	1,348	-
Grants	392,506	392,506	267,899	(124,607)
Permit fees	-	-	153,492	153,492
	<u>1,413,534</u>	<u>1,413,534</u>	<u>1,431,588</u>	<u>18,054</u>
Total Revenues				
Expenditures				
Current				
Program costs				
Baseline monitoring and equipment	166,938	166,938	160,358	6,580
Legal fees	60,000	60,000	39,644	20,356
Staff engineer	90,474	90,474	84,942	5,532
Permitting	71,000	71,000	362,185	(291,185)
Administrator services	191,005	191,005	191,006	(1)
East metro water resources educator	20,500	20,500	20,481	19
Project costs	<u>1,767,023</u>	<u>1,767,023</u>	<u>840,684</u>	<u>926,339</u>
Total Expenditures	<u>2,366,940</u>	<u>2,366,940</u>	<u>1,699,300</u>	<u>667,640</u>
Net Change in Fund Balances	(953,406)	(953,406)	(267,712)	685,694
Fund Balances, January 1	<u>560,741</u>	<u>560,741</u>	<u>560,741</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (392,665)</u>	<u>\$ (392,665)</u>	<u>\$ 293,029</u>	<u>\$ 685,694</u>

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

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Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Browns 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.

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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.

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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.

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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.

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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 2024. 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.

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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	\$ (125,430)
Investments	<u>1,169,495</u>
Total cash and temporary investments	<u><u>\$ 1,044,065</u></u>
Carrying amount of deposits	\$ (125,430)
Covered by FDIC	<u>(250,000)</u>
Collateralized with securities pledged in District's name	<u><u>\$ (375,430)</u></u>

**Investments**

As of December 31, 2024, 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>\$ 1,169,495</u></u>

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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	\$ (125,430)
Investments	<u>1,169,495</u>
Total cash and temporary investments	<u><u>\$ 1,044,065</u></u>

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated				
Land and permanent easements	<u>\$ 316,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,555</u>
Capital Assets, Being Depreciated				
Land improvements	324,862	108,702	-	433,564
Less Accumulated Depreciation for				
Land improvements	<u>(25,988)</u>	<u>(17,343)</u>	<u>-</u>	<u>(43,331)</u>
Total Capital Assets Being Depreciated, Net	<u>298,874</u>	<u>91,359</u>	<u>-</u>	<u>390,233</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 615,429</u></u>	<u><u>\$ 91,359</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 706,788</u></u>

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

<b>Governmental activities</b>	
Programs	\$ 17,343

Browns Creek Watershed District  
Stillwater, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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, 2024, the District was holding \$240,142 of collateral deposits.

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OTHER REQUIRED REPORT

BROWN'S CREEK WATERSHED DISTRICT  
STILLWATER, MINNESOTA

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FOR THE YEAR ENDED  
DECEMBER 31, 2024

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

Board of Managers  
Browns 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 Browns Creek Watershed District (the District), Stillwater, Minnesota, as of and for the year ended December 31, 2024, 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 except as described in the Schedule of Findings and Responses as item 2024-002. 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

Browns Creek Watershed District  
Stillwater, Minnesota  
Schedule of Findings and Responses  
December 31, 2024

<u>Finding</u>	<u>Description</u>
<b>2024-002</b>	<b>Long Outstanding Checks</b>
<i>Condition:</i>	The District had 7 outstanding checks, dated prior to December 31, 2021. The total amount of these checks is \$3,128 and date back to 2015.
<i>Criteria:</i>	Minnesota statute §348.38 subdivision 3 states that all intangible personal property held for the owner by any government or political subdivision or agency, which has remained unclaimed by the owner for more than three years is presumed abandoned and is reportable pursuant to section §345.41 if it meets certain criteria.
<i>Cause:</i>	The District had old outstanding checks which fit the above criteria.
<i>Effect:</i>	At year end, the District was not in compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the District review their list of outstanding checks each month for any being uncashed over the required time period. If a long outstanding check is found, have it delivered to the state Commissioner of Commerce.
<i>Management Response:</i>	Management will work with the auditors to correctly record and follow the statute.

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