ANNUAL FINANCIAL REPORT

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

THIS PAGE IS LEFT

BLANK INTENTIONALLY

Browns Creek Watershed District
Stillwater, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2025

THIS PAGE IS LEFT

BLANK INTENTIONALLY

INTRODUCTORY SECTION

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

THIS PAGE IS LEFT

BLANK INTENTIONALLY

Browns Creek Watershed District
Stillwater, Minnesota
Board of Managers and Appointed Officials
For the Year Ended December 31, 2025

MANAGERS

Name	Title
Klayton Eckles	President
Chuck Leroux	Vice President
Griffin Brod	2nd Vice President
Celia Wirth	Treasurer
Debra Sahulka	Secretary

STAFF

Karen Kill	Administrator
Hannah Peterson	BCWD Communication & Project Assistant Technician

THIS PAGE IS LEFT

BLANK INTENTIONALLY

FINANCIAL SECTION

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

THIS PAGE IS LEFT

BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Browns Creek Watershed District
Stillwater, Minnesota

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025 and the respective changes in financial position 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, the budgetary comparison schedule and the related note disclosures, as listed in the table of contents, 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.

Supplementary Information

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

Other Information

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

Abdo

Abdo
Minneapolis, Minnesota
June 1, 2026

THIS PAGE IS LEFT

BLANK INTENTIONALLY

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, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

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

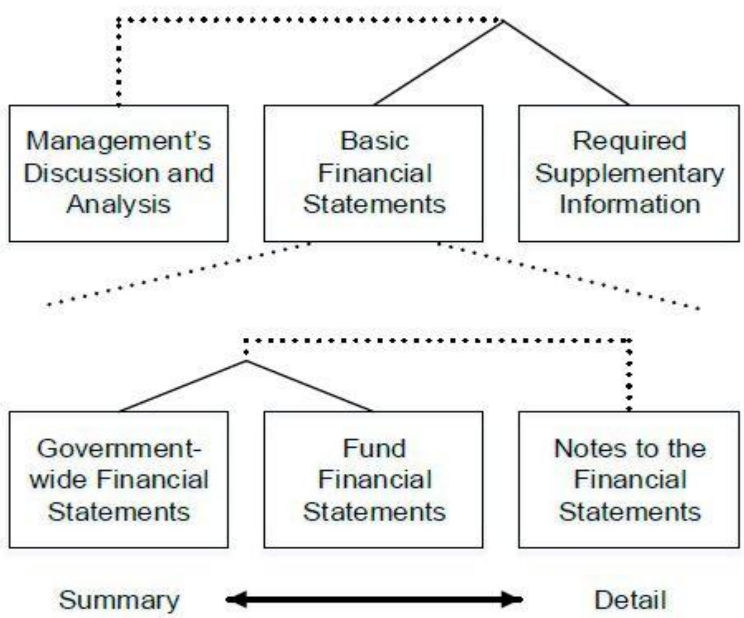


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	• Statement of Net Position • Statement of Activities	• 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 31 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. 46 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, 2025	December 31, 2024	Increase (Decrease)
Assets			
Current	$ 1,180,956	$ 1,483,536	$ (302,580)
Capital	689,445	706,788	(17,343)
Total Assets	1,870,401	2,190,324	(319,923)
Liabilities			
Current	356,344	509,945	(153,601)
Net Position			
Investment in capital assets	689,445	706,788	(17,343)
Unrestricted	824,612	973,591	(148,979)
Total Net Position	$ 1,514,057	$ 1,680,379	$ (166,322)
Net Position as a Percent of Total			
Investment in capital assets	46 %	42 %	
Unrestricted	55	58	
	100.0 %	100.0 %	

Browns Creek Watershed District's Changes in Net Position

Governmental Activities. Governmental activities decreased the District's net position, as shown below.

	December 31, 2025	December 31, 2024	Increase (Decrease)
Revenues			
Program			
Charges for services	$ 233,083	$ 153,492	$ 79,591
Operating grants and contributions	74,243	267,899	(193,656)
General			
Property taxes	1,187,143	1,173,618	13,525
Unrestricted investment earnings	39,347	50,104	(10,757)
Total Revenues	1,533,816	1,645,113	(111,297)
Expenses			
General government	170,140	177,356	(7,216)
Program costs	1,014,846	858,616	156,230
Project costs	515,152	749,325	(234,173)
Total Expenses	1,700,138	1,785,297	(85,159)
Change in Net Position	(166,322)	(140,184)	(26,138)
Net Position, January 1	1,680,379	1,820,563	(140,184)
Net Position, December 31	$ 1,514,057	$ 1,680,379	$ (166,322)

Key elements of this decrease are as follows:

- Decreases in intergovernmental grant revenues.
- Increases in program costs.

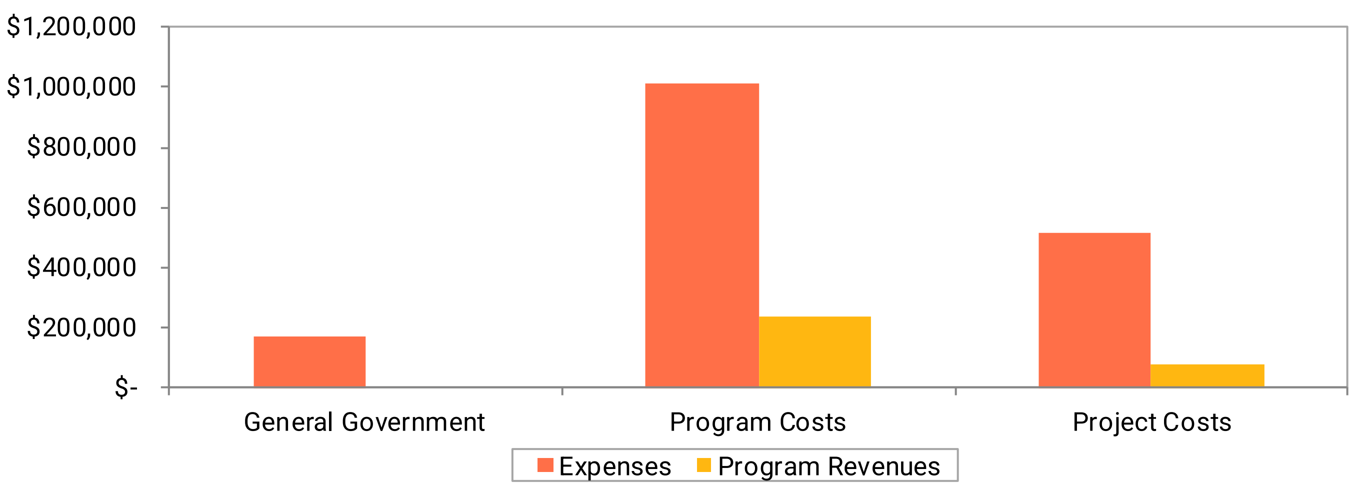
Decreases in intergovernmental grant revenues

District received more grant revenue in prior year related to ongoing projects.

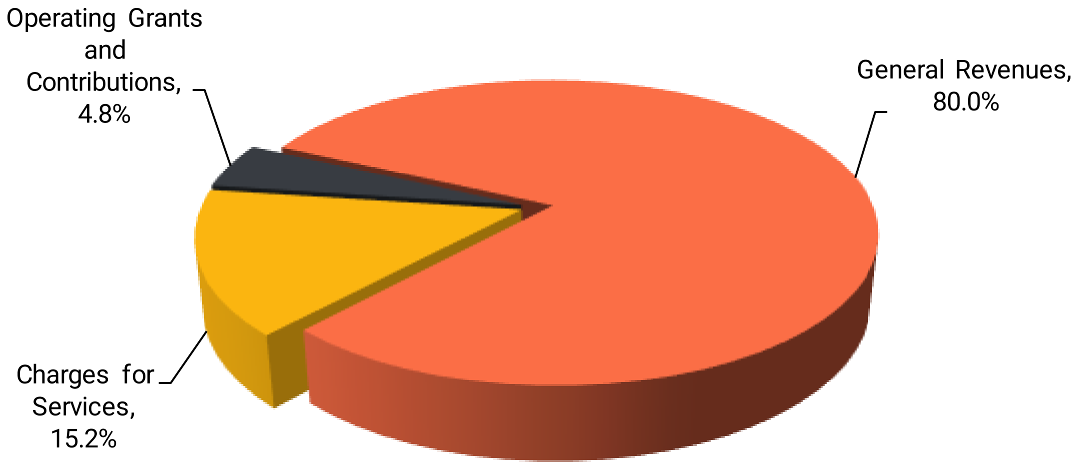
Increases in program costs

District spent more on general program engineering and permitting.

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 $812,563, a decrease of $150,662 in comparison with the prior year. Approximately 95 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 and nonspendable for prepaid items.

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 $768,539. 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 452 percent of 2025 actual expenditures and 343 percent of 2026 budgeted expenditures. The General fund balance increased by $98,343 during the current fiscal year.

The fund balance of the Management Planning fund at year end was $44,024 which is a decrease of $249,005 from the prior year. This was due to revenues decreasing by 12 percent compared to the previous year. The majority of the decrease was for property taxes and intergovernmental grants.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2025 amounts to $689,445 (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, 2025	December 31, 2024	Increase (Decrease)
Land and Permanent Easements	$ 316,555	$ 316,555	$ -
Land Improvements	372,890	390,233	(17,343)
Total	$ 689,445	$ 706,788	$ (17,343)

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.
- Board holds a public hearing to receive public comment on the proposed draft levy and budget. .
- 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 2026 Budget and Levy.
- Final levy is certified in December.

For the 2026 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

Browns Creek Watershed District
Stillwater, Minnesota
Statement of Net Position
December 31, 2025

	Governmental Activities
Assets	
Cash and temporary investments	$ 970,672
Receivables	
Accounts	169,040
Taxes	15,049
Due from other governments	21,000
Prepaid items	5,195
Capital assets	
Nondepreciable assets	316,555
Depreciable assets, net of accumulated depreciation	372,890
Total Assets	1,870,401
Liabilities	
Accounts payable	64,086
Due to other governments	147,860
Deposits payable	144,398
Total Liabilities	356,344
Net Position	
Investment in capital assets	689,445
Unrestricted	824,612
Total Net Position	$ 1,514,057

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, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	$ 170,140	$ -	$ -	$ -	$ (170,140)
Program costs	1,014,846	233,083	-	-	(781,763)
Project costs	515,152	-	74,243	-	(440,909)
Total	$ 1,700,138	$ 233,083	$ 74,243	$ -	$ (1,392,812)
General Revenues					
Property taxes					1,187,143
Unrestricted investment earnings					39,347
Total General Revenues					1,226,490
Change in Net Position					(166,322)
Net Position, January 1					1,680,379
Net Position, December 31					$ 1,514,057

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

THIS PAGE IS LEFT

BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

Browns Creek Watershed District
Stillwater, Minnesota
Balance Sheet
Governmental Funds
December 31, 2025

	General	Management Planning	Total Governmental Funds
Assets			
Cash and temporary investments	$ 768,031	$ 202,641	$ 970,672
Receivables			
Accounts	-	169,040	169,040
Taxes	-	15,049	15,049
Due from other governments	20,000	1,000	21,000
Prepaid items	-	5,195	5,195
Total Assets	$ 788,031	$ 392,925	$ 1,180,956
Liabilities			
Accounts payable	$ 19,492	$ 44,594	$ 64,086
Due to other governments	-	147,860	147,860
Deposits payable	-	144,398	144,398
Total Liabilities	19,492	336,852	356,344
Deferred Inflows of Resources			
Unavailable revenue - taxes	-	12,049	12,049
Fund Balances			
Nonspendable for			
Prepaid items	-	5,195	5,195
Committed for			
Water resources management plan	-	38,829	38,829
Unassigned	768,539	-	768,539
Total Fund Balances	768,539	44,024	812,563
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 788,031	$ 392,925	$ 1,180,956

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, 2025

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

Total Fund Balances - Governmental	$	812,563
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		750,119
Less accumulated depreciation		(60,674)
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		12,049
Total Net Position - Governmental Activities	$	1,514,057

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, 2025

	General	Management Planning	Total Governmental Funds
Revenues			
Property taxes	$ 228,889	$ 955,004	$ 1,183,893
Intergovernmental			
Market value agricultural credit	298	1,269	1,567
Grants	-	74,243	74,243
Permit fees	-	233,083	233,083
Interest income	39,296	51	39,347
Total Revenues	268,483	1,263,650	1,532,133
Expenditures			
Current			
General government	170,140	-	170,140
Program costs	-	1,014,846	1,014,846
Project costs	-	497,809	497,809
Total Expenditures	170,140	1,512,655	1,682,795
Net Change in Fund Balances	98,343	(249,005)	(150,662)
Fund Balances, January 1	670,196	293,029	963,225
Fund Balances, December 31	$ 768,539	$ 44,024	$ 812,563

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, 2025

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

Total Net Change in Fund Balances - Governmental Funds	$	(150,662)
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		1,683
Change in Net Position - Governmental Activities	$	(166,322)

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

THIS PAGE IS LEFT

BLANK INTENTIONALLY

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 p*rogram 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.

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, entitlements 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.

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.

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the District’s investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting the League of Minnesota Cities Finance Department at 145 University Avenue West, St. Paul, Minnesota, 55103-2044 or call (651) 281-1200.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Net Position

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

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

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 2025. 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 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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which 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.

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.

Note 3: Detailed Notes on Accounts (Continued)

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	$	(29,975)
Investments		1,000,647
Total cash and temporary investments	$	970,672
Bank Balance	$	-
Covered by FDIC		(250,000)
Collateralized with securities pledged in District's name	$	-

Investments

As of December 31, 2025, 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			
4M Money market	N/A	less than 6 months	$ 1,000,647

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.

Note 3: Detailed Notes on Accounts (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2025 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	433,564	-	-	433,564
Less Accumulated Depreciation for				
Land improvements	(43,331)	(17,343)	-	(60,674)
Total Capital Assets Being Depreciated, Net	390,233	(17,343)	-	372,890
Governmental Activities Capital Assets, Net	$ 706,788	$ (17,343)	$ -	$ 689,445

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

Governmental activities	
Programs	$ 17,343

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, 2025, the District was holding $144,398 of collateral deposits.

REQUIRED SUPPLEMENTARY INFORMATION

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

Browns Creek Watershed District
Stillwater, Minnesota
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Property taxes	$ 228,889	$ 228,889	$ -	$ 228,889	$ -
Intergovernmental					
Market value agricultural credit	-	-	-	298	298
Miscellaneous	-	-	-	39,296	39,296
Total Revenues	228,889	228,889	-	268,483	39,594
Expenditures					
Current					
General government					
Per diems	10,000	10,000	-	8,687	1,313
Engineering	31,289	31,289	-	31,159	130
Administrator services	65,000	65,000	-	61,600	3,400
Legal fees	32,100	32,100	-	27,106	4,994
Accounting	5,040	5,040	-	5,000	40
Audit	12,000	12,000	-	11,975	25
Postage	1,000	1,000	-	-	1,000
Office	1,060	1,060	-	980	80
Printing	1,000	1,000	-	363	637
Dues and subscriptions	10,000	10,000	-	9,480	520
Training and seminars	21,214	17,374	(3,840)	3,068	14,306
Insurance and bonds	6,500	6,500	-	5,009	1,491
Miscellaneous	2,000	2,000	-	5,713	(3,713)
Total Expenditures	198,203	194,363	(3,840)	170,140	24,223
Net Change in Fund Balances	30,686	34,526	3,840	98,343	63,817
Fund Balances, January 1	670,196	670,196	-	670,196	-
Fund Balances, December 31	$ 700,882	$ 704,722	$ 3,840	$ 768,539	$ 63,817

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

Notes to the Required Supplementary Information – Budgetary Reporting

A. Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

The schedule of revenues, expenditures and changes in fund balances – budget and actual presents the comparison of the original and legally amended budget with actual amounts for the General and Capital funds. The fund budgets are adopted on a basis consistent with the modified accrual basis of accounting. The fund balances report revenues in the period in which they become measurable and available.

B. Budget Amendments

In accordance with state statutes governing watershed district financial management and compliance with GASB Statement No. 103, the District's budget amendments were processed and approved through established legal and procedural frameworks. The Board of Managers exercised its authority as delineated in Minnesota Statutes Section 103D.911, ensuring that all modifications to the budget were deliberated and approved in public meetings, adhering to principles of transparency and accountability. Each amendment or group of amendments were documented and justified based on emergent fiscal requirements or reallocation of resources, following criteria that align with GASB 103 guidelines. This process underscores the District's commitment to maintaining financial integrity and regulatory compliance, providing a clear audit trail for citizens and auditors alike.

C. Summary of Significant Budget Variances

General Fund

The General fund revenues varied significantly from final budget amounts as noted below:

Revenues

- Miscellaneous revenues were over final budgeted amounts due to interest income, which is variable based off market value of investments held by the district

D. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

THIS PAGE IS LEFT

BLANK INTENTIONALLY

INDIVIDUAL FUND FINANCIAL SCHEDULE

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

Browns Creek Watershed District
Stillwater, Minnesota
Supplementary Information
Budgetary Comparison Schedule
Management Planning Fund
For the Year Ended December 31, 2025

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Property taxes	$ 978,642	$ 978,642	$ -	$ 955,004	$ (23,638)
Intergovernmental					
Market value agricultural credit	-	-	-	1,269	1,269
Grants	171,307	191,307	20,000	74,243	(117,064)
Interest on investments	-	-	-	51	51
Permit fees	-	-	-	233,083	233,083
Total Revenues	1,149,949	1,169,949	20,000	1,263,650	93,701
Expenditures					
Current					
Program costs					
Baseline monitoring and equipment	202,465	202,465	-	175,343	27,122
Legal fees	60,000	60,000	-	53,271	6,729
Staff engineer	99,522	99,522	-	93,477	6,045
Permitting	101,250	101,250	-	421,855	(320,605)
Administrator services	250,000	250,000	-	246,400	3,600
East metro water resources educator	31,000	31,000	-	24,500	6,500
Project costs	1,413,723	1,437,563	23,840	497,809	939,754
Total Expenditures	2,157,960	2,181,800	23,840	1,512,655	669,145
Net Change in Fund Balances	(1,008,011)	(1,011,851)	(3,840)	(249,005)	762,846
Fund Balances, January 1	293,029	293,029	-	293,029	-
Fund Balances, December 31	$ (714,982)	$ (718,822)	$ (3,840)	$ 44,024	$ 762,846

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

OTHER REQUIRED REPORT

BROWN'S CREEK WATERSHED DISTRICT
STILLWATER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

THIS PAGE IS LEFT

BLANK INTENTIONALLY

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, 2025, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 1, 2026.

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, tax increment financing, 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 matter. 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

Abdo
Minneapolis, Minnesota
June 1, 2026