RAMSEY-WASHINGTON METRO WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2015

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
ORGANIZATION
December 31, 2015

	Term Expires
Managers:	
Marj Ebensteiner - President	February 23, 2018
Clifton Aichinger - Vice - President	February 23, 2019
Robert Johnson - Secretary	February 23, 2017
Jen Oknich - Treasurer	February 23, 2017
Pamela Skinner - Manager	February 23, 2018
Administrator:	
Tina Carstens	Appointed

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -

INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Ramsey-Washington Metro Watershed District
Little Canada, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ramsey-Washington Metro Watershed District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Ramsey-Washington Metro Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ramsey-Washington Metro Watershed District, as of December 31, 2015, 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.

Emphasis of Matter

As described in Notes 5 and 14 to the financial statements, the Ramsey-Washington Metro Watershed District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Ramsey-Washington Metro Watershed District's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension Contributions on pages 40 through 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ramsey-Washington Metro Watershed District's basic financial statements. The introductory section, individual fund financial statements, supplementary financial information, and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and the supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 individual fund financial statements and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 27, 2016

- This page intentionally left blank -

BASIC FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF NET POSITION
December 31, 2015

Statement 1

	Primary Government Governmental Activities 2015
Assets:	
Cash and investments	$7,076,127
Cash and investments with escrow	123,186
Property taxes receivable:	
Delinquent	88,807
Due from county	67,052
Accounts receivable	340
Due from other governmental units	62,545
Prepaid items	195,988
Capital assets - net:	
Depreciable	13,247,935
Nondepreciable	421,581
Total assets	21,283,561
Deferred outflows of resources:	
Related to pensions	94,523
Liabilities:	
Accounts payable	66,767
Accrued expenses	9,085
Due to other governmental units	60,032
Escrow deposits payable	454,165
Accrued interest payable	13,362
Retainage payable	10,017
Unearned revenue	75,000
Compensated absences payable:	
Due within one year	71,184
Due in more than one year	10,845
Bonds payable:	
Due within one year	342,055
Due in more than one year	1,737,690
Net pension liability:	
Due in more than one year	684,093
Total liabilities	3,534,295
Deferred inflows of resources:	
Related to pensions	108,476
Net position:	
Net investment in capital assets	11,579,754
Restricted for:	
Debt service	244,235
Capital improvements	3,748,117
Unrestricted	2,163,207
Total net position	$17,735,313

The accompanying notes are an integral part of these financial statements.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF ACTIVITIES **Statement 2**
For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government Totals 2015
Primary government:					
Governmental activities:					
General government	$1,859,354	$168,419	$ -	$ -	($1,690,935)
Programs	655,989	-	166,107	-	(489,882)
Projects	1,673,635	-	28,968	-	(1,644,667)
Interest on long-term debt	38,857	-	-	-	(38,857)
Total governmental activities	$4,227,835	$168,419	$195,075	$0	(3,864,341)
General revenues:					
Property taxes					6,479,471
Grants and contributions not restricted to specific programs					42
Unrestricted investment earnings					831
Miscellaneous other					10,874
Total general revenues					6,491,218
Change in net position					2,626,877
Net position - January 1, as originally reported					22,665,591
Prior period adjustment					(7,557,155)
Net position - January 1, as restated					15,108,436
Net position - December 31					$17,735,313

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

Statement 3

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Intra-Activity Eliminations	Total Governmental Funds 2015	Total Governmental Funds 2014
Assets							
Cash and investments	$3,220,513	$111,083	$ -	$3,744,531	$ -	$7,076,127	$4,257,690
Cash and investments with escrow	-	-	123,186	-	-	123,186	123,186
Accounts receivable	340	-	-	-	-	340	3,060
Due from other governmental units	62,521	-	-	24	-	62,545	215,507
Due from other funds	177,365	-	-	-	(177,365)	-	-
Taxes receivable:							
Delinquent	42,095	3,123	3,024	40,565	-	88,807	88,801
Due from county	29,169	2,179	1,966	33,738	-	67,052	65,705
Prepaid items	5,587	-	190,401	-	-	195,988	5,579
Total assets	$3,537,590	$116,385	$318,577	$3,818,858	($177,365)	$7,614,045	$4,759,528
Liabilities, deferred inflow of resources, and fund balance							
Liabilities:							
Accounts payable	$45,434	$ -	$ -	$21,333	$ -	$66,767	$60,344
Accrued expenses	9,085	-	-	-	-	9,085	31,888
Due to other governmental units	10,624	-	-	49,408	-	60,032	16,873
Due to other funds	-	-	177,365	-	(177,365)	-	-
Escrow deposits payable	454,165	-	-	-	-	454,165	433,055
Retainage payable	-	-	-	10,017	-	10,017	11,605
Unearned revenue	75,000	-	-	-	-	75,000	16,446
Total liabilities	594,308	0	177,365	80,758	(177,365)	675,066	570,211
Deferred inflows of resources:							
Unavailable tax revenue	42,095	3,123	3,024	40,565	-	88,807	88,801
Fund balance:							
Nonspendable	5,587	-	190,401	-	-	195,988	5,579
Restricted	-	113,262	-	-	-	113,262	225,120
Assigned	-	-	-	3,697,535	-	3,697,535	1,663,712
Unassigned	2,895,600	-	(52,213)	-	-	2,843,387	2,206,105
Total fund balance	2,901,187	113,262	138,188	3,697,535	0	6,850,172	4,100,516
Total liabilities, deferred inflow of resources, and fund balance	$3,537,590	$116,385	$318,577	$3,818,858	($177,365)	$7,614,045	$4,759,528

Fund balance reported above	$6,850,172
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	13,669,516
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	88,807
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.	94,523
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,859,229)
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	(108,476)
Net position of governmental activities	$17,735,313

The accompanying notes are an integral part of these financial statements.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE **Statement 4**
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total Governmental Funds 2015	Total Governmental Funds 2014
Revenues:						
General property taxes	$2,818,731	$210,595	$189,973	$3,260,166	$6,479,465	$5,918,688
Intergovernmental:						
Market value homestead credit	42	-	-	-	42	32
Grants	115,975	-	-	23,177	139,152	426,888
Stormwater impact payment	154,019	-	-	-	154,019	-
Investment income	554	-	-	277	831	441
Permit escrow fees	14,400	-	-	-	14,400	8,120
Refunds and reimbursements	36,453	-	-	19,470	55,923	192,966
Other	10,874	-	-	-	10,874	7,098
Total revenues	3,151,048	210,595	189,973	3,303,090	6,854,706	6,554,233
Expenditures:						
Current:						
General government	1,789,104	-	-	-	1,789,104	2,089,979
Programs	654,689	-	-	-	654,689	537,083
Capital outlay	17,752	-	-	-	17,752	-
Construction/projects	-	-	-	1,297,760	1,297,760	2,290,043
Debt service:						
Principal	-	153,214	180,000	-	333,214	360,963
Interest and fiscal agent fees	-	27,453	13,571	-	41,024	44,658
Total expenditures	2,461,545	180,667	193,571	1,297,760	4,133,543	5,322,726
Revenues over (under) expenditures	689,503	29,928	(3,598)	2,005,330	2,721,163	1,231,507
Other financing sources (uses):						
Bond issued	-	-	-	28,493	28,493	-
Total other financing sources (uses)	0	0	0	28,493	28,493	0
Net change in fund balance	689,503	29,928	(3,598)	2,033,823	2,749,656	1,231,507
Fund balance - January 1	2,211,684	83,334	141,786	1,663,712	4,100,516	2,869,009
Fund balance - December 31	$2,901,187	$113,262	$138,188	$3,697,535	$6,850,172	$4,100,516

The accompanying notes are an integral part of these financial statements.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

Statement 5

		2015
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)		$2,749,656
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(414,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		304,721
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(4,152)
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense exceeded pension contributions in the current period:		
Pension contributions	$57,121	
Pension expense	(66,106)	(8,985)
Change in net position of governmental activities (Statement 2)		$2,626,877

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ramsey-Washington Metro Watershed District (the District) conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

The Ramsey-Washington Metro Watershed District was created in 1975 by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District is operated by a five member Board of Managers appointed by the Ramsey and Washington County Boards of Commissioners for three year terms. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District (primary government) does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not 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 FINANCIAL STATEMENT 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. Property taxes are recognized as revenues in the year for which they are levied. 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 all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be 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 District.

The District reports the following major governmental funds:

General Fund is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenses and for the construction and maintenance of projects of common benefit to the District.

General Obligation Bonds Debt Service is established to account for accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Certificates of Participation Debt Service is established to account for accumulation of resources for, and the payment of long-term debt principal, interest and costs related to the 2005 Certificates of Participation.

Capital Project CIB Fund is established to account for the capital improvement program as a part of the Watershed Management Plan. The fund is financed by an ad valorem tax levy. This fund was established pursuant to Minnesota Statutes, Chapter 473.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. BUDGETS

The Board of Managers prepares annual revenue and expenditure budgets for the District's General Fund. The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process. 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. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

E. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, based upon quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

Cash and investments with escrow represent money market accounts held by an escrow agent as the reserve account for the Certificates of Participation 2012B.

F. PROPERTY TAX REVENUE RECOGNITION

The Board of Managers annually adopts a tax levy and certifies it to the County in October (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, 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. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>
The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS
The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January are fully offset by deferred inflow of resources because they are not available to finance current expenditures.

PROPERTY TAX LEVY

103B Levy Authority
Beginning with the 1998 tax levy, the District levied under Minnesota Statutes 103B.241 authority. As such, the District's General Fund and the Capital Projects CIB Funds are not limited by the tax levy authorized in Minnesota Statutes 103D. The District no longer employs the Special Revenue Funds to account for maintenance and projects and instead levies for all such projects out of the General and CIB Funds. Minnesota Statutes Section 103B.241 Subd.1 reads in part as follows:

103B.241 LEVIES
Subdivision 1. ***Watershed plans and projects.*** *Notwithstanding chapter 103D, a local government unit or watershed management organization may levy a tax to pay the increased costs of preparing a plan under sections 103B.231 and 103B.235 or for projects identified in an approved and adopted plan necessary to implement the purposes of section 103B.201. The proceeds of any tax levied under this section shall be deposited in a separate fund and expended only for the purposes authorized by this section. Watershed management organizations and local government units may accumulate the proceeds of levies as an alternative to issuing bonds to finance improvements.*

G. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The District does not maintain material amounts of inventories.

H. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets and intangible assets such as easements and computer software, are reported in the governmental activities columns in the government-wide financial statements. Capital assets (including intangible assets) are defined by the District as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation has historically been reported in the financial statements. For governmental entities with total annual revenues of less than $10 million for the fiscal year ended December 31, 1999, the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District has elected to report infrastructure assets acquired since 1980.

The District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010, which required the District to capitalize and amortize intangible assets. For governmental entities with total annual revenues of less than $10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District has elected not to report intangible assets acquired in years prior to 2015 The District did not acquire any intangible assets since implementing GASB No. 51.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Equipment	5 years
Vehicles	5 years
Infrastructure	50 – 100 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities statement of net assets. Bond premiums and discounts are immaterial and are expensed in the year of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

K. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay and accumulated sick leave benefits that are vested as severance pay are accrued when incurred in the government-wide financial statements.

L. FUND BALANCE CLASSIFICATIONS

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Board's intended use. These constraints are established by the Board and/or management. Pursuant to Board Resolution, the Board's District Administrator and/or Treasurer is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

M. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

N. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

O. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to the current year presentation.

P. COMPARATIVE TOTALS

The basic financial statements, individual fund financial statements, required supplementary information, and supplementary financial information include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the pension related deferred outflows reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has pension related deferred inflows of resources reported in the government-wide Statement of Net Position. The District has also has an 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 fund balance sheet. The governmental funds report unavailable revenues from property taxes.

R. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. <u>EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION</u>

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($2,859,229) difference are as follows:

Compensated absences payable	($82,029)
Bonds payable	(2,079,745)
Accrued interest payable	(13,362)
Net pension liabilitiy	(684,093)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities.	($2,859,229)

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenue, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($414,369) difference are as follows:

Capital Outlay	$17,752
Depreciation expense	(432,121)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($414,369)

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $6 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2014	($88,801)
At December 31, 2015	88,807
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$6

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets. The details of this $304,721 difference are as follows:

Debt issued or incurred:	
Issuances of certificate of participation	($28,493)
Principal repayments:	
General obligation debt issuance	153,214
Certificates of participation	180,000
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$304,721

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this ($4,152) difference are as follows:

Compensated absences	($6,319)
Accrued interest	2,167
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($4,152)

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District, 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% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

a) United States government treasury bills, treasury notes and treasury bonds;

b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

c) 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;

d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

e) 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

f) Time deposits that are fully insured by any federal agency.

The District did not have deposits at December 31, 2015.

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.

b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.

c) Obligations of the State of Minnesota or any of its municipalities as follows:
   1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
   2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
   3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.

d) Bankers acceptances of United States banks.

e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

f) Repurchase or reverse repurchase agreements 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; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2015, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years) Less Than 1
Money market funds	Aaa-MF	$123,186	$123,186
External investment pool	NR	7,076,127	7,076,127
Total investments		$7,199,313	$7,199,313

NR = Not Rated

A reconciliation of cash and investments as shown on the statement of net assets is as follows:

Cash and investments	$7,076,127
Cash and investments with escrow	123,186
Total	$7,199,313

C. INVESTMENT RISKS

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated “A” or better by a national bond rating service for general obligation and rated “AA” or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated “A” or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The District follows State Statutes in regards to credit risk of investments. The District does not have an investment policy which further limits its investment choices.

The District’s external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy which addresses the concentration of credit risk.

Custodial Credit Risk. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that is in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The District does not have an investment policy which addresses custodial credit risk.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2015 are as follows:

	Major Funds		
	General	Capital Projects CIB	Total
Delinquent property taxes	$34,100	$32,900	$67,000

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Property Taxes
General Fund	$42,095
General Obligation Bonds	3,123
Certificates of Participation	3,024
Capital Projects CIB	40,565
Total unavailable revenue	$88,807

Note 5 DEFINED BENEFIT PENSION PLANS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. PLAN DESCRIPTION

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

C. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under

Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

D. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The District's contributions to the GERF for the year ended December 31, 2015, were $57,121. The District's contributions were equal to the required contributions as set by state statute.

E. PENSION COSTS

GERF Pension Costs

At December 31, 2015, the District reported a liability of $684,093 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was .0132 % which was a decrease of .0021% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the District recognized pension expense of $66,106 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$34,490
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	64,760	-
Changes in proportion	-	73,986
Contributions paid to PERA subsequent to the measurement date	29,763	-
Total	$94,523	$108,476

$29,763 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	($19,969)
2017	(19,969)
2018	(19,968)
2019	16,190
2020	-
Thereafter	-

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1st until 2034, and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There are no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
District's proportionate share of the GERF net pension liability	$1,075,637	$684,093	$360,737

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decrease	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$421,581	$ -	$ -	$ -	$421,581
Construction in process	195,026	-	-	(195,026)	-
Total capital assets, not being depreciated	616,607	0	0	(195,026)	421,581
Capital assets, being depreciated:					
Building	2,126,849	-	-	-	2,126,849
Furniture and fixtures	102,063	-	-	-	102,063
Equipment	128,055	-	-	(7,592)	120,463
Vehicles	70,611	-	17,752	(16,174)	72,189
Infrastructure	26,808,444	(6,918,191)	195,026	-	20,085,279
Total capital assets, being depreciated	29,236,022	(6,918,191)	212,778	(23,766)	22,506,843
Less accumulated depreciation for:					
Building	469,539	-	53,171	-	522,710
Furniture and fixtures	102,063	-	-	-	102,063
Equipment	126,105	-	1,300	(7,592)	119,813
Vehicles	70,611	-	1,775	(16,174)	56,212
Infrastructure	8,147,258	(65,023)	375,875	-	8,458,110
Total accumulated depreciation	8,915,576	(65,023)	432,121	(23,766)	9,258,908
Total capital assets being depreciated - net	20,320,446	(6,853,168)	(219,343)	0	13,247,935
Governmental activities capital assets - net	$20,937,053	($6,853,168)	($219,343)	($195,026)	$13,669,516

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	$54,946
Programs	1,300
Projects	375,875
Total depreciation expense - governmental activities	$432,121

Note 7 LONG-TERM DEBT

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities									
Year Ending December 31,	G.O. Bonds of 1997 PFA Bond Principal	G.O. Bonds of 1997 PFA Bond Interest	G.O. Bonds of 1998 PFA Bond Principal	G.O. Bonds of 1998 PFA Bond Interest	Certificates of Participation Series 2012B Principal	Certificates of Participation Series 2012B Interest	G.O. Bonds of 2012 PFA Bond Principal	G.O. Bonds of 2012 PFA Bond Interest	Totals Principal	Totals Interest
2016	$36,484	$2,499	$45,571	$4,344	$185,000	$9,885	$75,000	$16,848	$342,055	$33,576
2017	37,892	1,090	47,106	2,810	185,000	8,035	77,000	15,578	346,998	27,513
2018	-	-	48,692	1,223	190,000	5,923	78,000	14,272	316,692	21,418
2019	-	-	-	-	190,000	3,357	79,000	12,950	269,000	16,307
2020	-	-	-	-	120,000	990	81,000	11,611	201,000	12,601
2021	-	-	-	-	-	-	82,000	10,238	82,000	10,238
2022	-	-	-	-	-	-	83,000	8,848	83,000	8,848
2023	-	-	-	-	-	-	85,000	7,441	85,000	7,441
2024	-	-	-	-	-	-	86,000	6,000	86,000	6,000
2025	-	-	-	-	-	-	88,000	4,543	88,000	4,543
2026	-	-	-	-	-	-	89,000	3,051	89,000	3,051
2027	-	-	-	-	-	-	91,000	1,542	91,000	1,542
Total	$74,376	$3,589	$141,369	$8,377	$870,000	$28,190	$994,000	$112,922	$2,079,745	$153,078

The following is a schedule of changes in the District's indebtedness for the year ended December 31, 2015:

	Restated Balance 12/31/14	Additions	Deletions	Balance 12/31/15	Due Within One Year
Governmental activities:					
Bonded debt:					
General Obligation Bonds of 1997, PFA Bond	$109,503	$ -	($35,127)	$74,376	$36,484
General Obligation Bonds of 1998, PFA Bond	185,456	-	(44,087)	141,369	45,571
General Obligation Bonds of 2012, PFA Bond	1,039,507	28,493	(74,000)	994,000	75,000
Certificates of Participation, Series 2012B	1,050,000	-	(180,000)	870,000	185,000
Compensated absences	75,710	84,626	(78,307)	82,029	71,184
Total governmental activities	$2,460,176	$113,119	($411,521)	$2,161,774	$413,239

For the governmental activities, compensated absences are generally liquidated by the General Fund. All long-term bonded indebtedness outstanding at December 31, 2015 is backed by the full faith and credit of the District.

1997 G.O. BOND/MINNESOTA PUBLIC FACILITIES AUTHORITY (PFA) BOND

The District entered into a loan agreement with the Minnesota Public Facilities Authority (PFA) on June 13, 1997. The agreement calls for the PFA to lend $600,000 to the District for the purpose of funding the eligible project costs of the Pilot Scale Project phase of the Old Beltline Interceptor Repair Project. In connection therewith, the District issued the 1997 General Obligation Bonds in the amount of $600,000 for the purposes of repaying the loan to the PFA. The term of the loan is 20 years, at an interest rate of 3.824% per annum. The District received $540,835 of the loan on May 28, 1998. This was the full price of the project, and as such the remaining $59,165 will not be received. The District's payment schedule to the PFA was adjusted accordingly to effect this change in principal amount received.

1998 G.O. BOND/MINNESOTA PUBLIC FACILITIES AUTHORITY (PFA) BOND
The District entered into a loan agreement with the Minnesota Public Facilities Authority (PFA) on August 5, 1998. The agreement calls for the PFA to lend $800,000 from the Water Pollution Control Revolving Fund to the District for the purpose of funding the eligible project cost of the 1997-1998 repairs to the Old Beltline Interceptor. In connection therewith, the District issued the 1998 General Obligation Bonds in the amount of $800,000 for the purposes of repaying the loan to the PFA. The term of the loan is 20 years, at an interest rate of 3.34% per annum. The District received $711,431 of the loan on February 25, 1999. This was the full price of the project, and as such, the remaining $88,569 will not be received. The District's payment schedule to the PFA was adjusted accordingly to effect this change in principal amount received.

2012 MINNESOTA PUBLIC FACILITIES AUTHORITY (PFA) BOND
The District entered into a loan agreement with the Minnesota Public Facilities Authority (PFA) on May 5, 2012. The agreement calls for the PFA to lend $1,569,623 from the Clean Water Revolving Fund Principal Forgiveness – Green Project, to the District for the purpose of funding the eligible costs related to the Maplewood Mall project. Of this amount, $1,177,217 (the "Loan") has a final maturity date of August 20, 2027 and carries an interest rate of 1.695% per annum. The remaining $392,406 (the "Green Principal Forgiveness"), is not required to be repaid except as otherwise provided per the terms of the agreement. The District's management has indicated that the terms of the "Green Principal Forgiveness" will be met. Of the $392,406, $382,908 was reported as grant revenue in previous years and the remaining $9,498 was reported as grant revenue during 2015.

$1,230,000 REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012B
The District entered into an agreement with U.S. Bank National Association for $2,440,000 of Certificates of Participation, Series 2005A in a lease – purchase agreement. The agreement was for the District to construct an administrative building to serve as the District headquarters. The District had requested the trustee to serve both as lessor under a lease purchase agreement and trustee. The $1,230,000 Refunding Certificates of Participation refunded the Series 2005A Certificates of Participation.

Note 8 CONTINGENCIES

The District's management has indicated that there are no pending lawsuits or other actions in which the District is a defendant.

Note 9 COMMITTED CONTRACTS

At December 31, 2015, the District had committed contracts of $1,458 construction/repair projects.

Note 10 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total
Nonspendable:					
Prepaid items	$5,587	$ -	$190,401	$ -	$195,988
Restricted for:					
Debt service	-	113,262	-	-	113,262
Assigned to:					
Construction/projects	-	-	-	3,697,535	3,697,535
Unassigned	2,895,600	-	(52,213)	-	2,843,387
Total	$2,901,187	$113,262	$138,188	$3,697,535	$6,850,172

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The Board has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the District's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year end targeted unassigned fund balance amount for cash-flow timing needs, emergencies/contingencies and compensated absences of 50% of the subsequent year's budgeted expenditures. At December 31, 2015, the unassigned fund balance of the General Fund was 99.83% of the subsequent year's budgeted expenditures.

Note 11 INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2015 are as follows:

Fund	Receivable	Payable
General Fund	$177,365	$ -
Certificates of Participation	-	177,365
Total	$177,365	$177,365

Interfund receivables and payables are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year.

Note 12 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.

Workers compensation coverage for District employees and council members is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The District pays an annual premium to LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the District is not subject to a deductible. The District workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Other insurance coverage is provided through a pooled self-insurance program through the LMCIT. The District pays an annual premium to the LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The District retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 72 *Fair Value Measurement and Application*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 *Tax Abatement Disclosures*. The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 79 *Certain External Investment Pools and Pool Participants.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016

The effect these standards may have on future financial statements is not determinable at this time.

Note 14 CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF ERROR

For the year ended December 31, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the District to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 5 for further information.

The standard required retroactive implementation which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate 2014 financial information are not determinable, therefore, prior year comparative amounts have not been restated.

In addition to the prior period adjustment relating to the implementation of GASB 68, an adjustment was made to the capital assets related to the Maplewood Mall project. Amounts were included in the District's capital assets instead of expensed in prior years in error as these are not assets owned by the District. Also, grant revenue was recorded in 2014 in error. The amount received was determined to be bond insurance rather than grant revenue.

Details of the prior period adjustment are as follows:

	Governmental Activities
Net position - January 1, 2015, as previously reported	$22,665,591
Prior period adjustment:	
Change in accounting principle:	
Deferred outflows of resources - pension related	29,656
Net pension liability	(718,717)
Correction of error:	
Reduction of capital assets	(6,853,168)
Bond issuance	(14,926)
Net position - January 1, 2015, as restated	$15,108,436

REQUIRED SUPPLEMENTARY INFORMATION

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015				
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final	Actual Amounts		
Revenue:					
General property taxes:					
Current and delinquent	$2,844,500	$2,844,500	$2,818,731	($25,769)	$2,834,010
Intergovernmental:					
Market value homestead credit	-	-	42	42	32
Grants	141,000	141,000	115,975	(25,025)	212,136
Total intergovernmental	141,000	141,000	116,017	(24,983)	212,168
Stormwater impact payment	-	-	154,019	154,019	-
Investment income	20,000	20,000	554	(19,446)	294
Permit escrow fees	15,000	15,000	14,400	(600)	8,120
Refunds and reimbursements	-	-	36,453	36,453	51,708
Other	-	-	10,874	10,874	7,098
Total revenue	3,020,500	3,020,500	3,151,048	130,548	3,113,398
Expenditures:					
General government:					
Engineering:					
Administration	185,000	185,000	139,874	45,126	353,456
Permit review	50,000	50,000	36,804	13,196	55,736
Engineer review	65,000	65,000	45,776	19,224	33,785
Subtotal engineering	300,000	300,000	222,454	77,546	442,977
Consulting	120,000	120,000	82,112	37,888	11,619
District training	25,000	25,000	14,316	10,684	13,664
Dues	9,000	9,000	9,509	(509)	6,207
Employee expenses	10,000	10,000	8,105	1,895	8,763
Insurance	35,000	35,000	32,060	2,940	31,142
Legal and audit	85,000	85,000	91,495	(6,495)	72,683
Manager's per diem and expenses	10,000	10,000	8,766	1,234	6,525
Miscellaneous	10,000	10,000	1,480	8,520	4,048
Office equipment and maintenance	60,000	60,000	33,176	26,824	44,304
Office supplies and postage	15,000	15,000	8,555	6,445	11,303
Printing	12,000	12,000	6,007	5,993	5,456
Salaries/payroll taxes/benefits	1,100,000	1,100,000	1,043,005	56,995	1,153,245
Telephone	12,000	12,000	4,810	7,190	3,656
Utilities	23,000	23,000	14,646	8,354	14,344
Vehicle lease and maintenance	15,000	15,000	24,905	(9,905)	9,522
Water quality monitoring	68,000	68,000	68,158	(158)	62,693
GIS system maintenance and equipment	65,000	65,000	23,678	41,322	51,927
Internet/website	45,000	45,000	24,662	20,338	29,761
Project operations	140,000	140,000	82,022	57,978	103,179
Committee expenditures	3,500	3,500	2,935	565	2,961
Total general government	2,162,500	2,162,500	1,806,856	355,644	2,089,979

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015				
	Budgeted Amounts		Actual	Variance with Final Budget - Positive	2014 Actual
	Original	Final	Amounts	(Negative)	Amounts
Watershed programs:					
Project feasibility studies	$220,000	$220,000	$119,666	$100,334	$21,640
Watershed management plan update	80,000	80,000	55,711	24,289	54,419
Education programming	40,000	40,000	41,098	(1,098)	34,286
Natural resources program	78,000	78,000	76,431	1,569	55,979
Research projects	200,000	200,000	116,143	83,857	94,666
Waterfest	40,000	40,000	31,828	8,172	34,328
NPDES Phase II	40,000	40,000	16,107	23,893	27,944
Health and safety program	5,000	5,000	1,038	3,962	4,944
Lake Studies/WRAPS/TMDL	135,000	135,000	149,748	(14,748)	169,376
Outside programs	70,000	70,000	46,919	23,081	39,501
Total watershed programs	908,000	908,000	654,689	253,311	537,083
Total expenditures	3,070,500	3,070,500	2,461,545	608,955	2,627,062
Revenue over (under) expenditures	($50,000)	($50,000)	689,503	$739,503	486,336
Fund balance - January 1			2,211,684		1,725,348
Fund balance - December 31			$2,901,187		$2,211,684

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION **Statement 7**
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered-Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.0132%	$684,093	$773,820	88.4%	78.2%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION **Statement 8**
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	$57,121	$57,121	$0	$761,606	7.5%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
December 31, 2015

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the General Fund.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

INDIVIDUAL FUND FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 9

Assets	2015	2014
Cash and investments	$3,220,513	$2,655,630
Accounts receivable	340	3,060
Due from other governmental units	62,521	40,507
Due from other funds	177,365	-
Taxes receivable:		
Delinquent	42,095	47,217
Due from county	29,169	31,460
Prepaid insurance	5,587	5,579
Total assets	$3,537,590	$2,783,453
Liabilities, deferred inflow of resources, and fund balance		
Liabilities:		
Accounts payable	$45,434	$32,044
Accrued expenses	9,085	31,888
Due to other governmental units	10,624	11,119
Escrow deposits payable	454,165	433,055
Unearned revenue	75,000	16,446
Total liabilities	594,308	524,552
Deferred inflow of resources:		
Unavailable tax revenue	42,095	47,217
Fund balance:		
Nonspendable	5,587	5,579
Unassigned	2,895,600	2,206,105
Total fund balance	2,901,187	2,211,684
Total liabilities, deferred inflow of resources, and fund balance	$3,537,590	$2,783,453

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 10

	2015	2014
Revenue:		
General property taxes:		
Current and delinquent	$2,818,731	$2,834,010
Intergovernmental:		
Market value homestead credit	42	32
Grants	115,975	212,136
Total intergovernmental	116,017	212,168
Stormwater impact payment	154,019	-
Investment income	554	294
Permit escrow fees	14,400	8,120
Refunds and reimbursements	36,453	51,708
Other	10,874	7,098
Total revenue	3,151,048	3,113,398
Expenditures:		
Current:		
General government	1,806,856	2,089,979
Programs	654,689	537,083
Total expenditures	2,461,545	2,627,062
Revenue over (under) expenditures	689,503	486,336
Fund balance - January 1, as previously reported	2,211,684	1,725,348
Fund balance - December 31	$2,901,187	$2,211,684

- This page intentionally left blank -

SUPPLEMENTARY FINANCIAL INFORMATION

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - ALL FUNDS **Schedule 1**
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Expenditures:	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB Fund	Totals 2015	Totals 2014
Current:						
General government:						
Engineering	$222,454	$ -	$ -	$ -	$222,454	$442,977
Consulting services	82,112	-	-	-	82,112	11,619
District training	14,316	-	-	-	14,316	13,664
Dues	9,509	-	-	-	9,509	6,207
Employee expenses	8,105	-	-	-	8,105	8,763
Insurance	32,060	-	-	-	32,060	31,142
Legal and audit	91,495	-	-	-	91,495	72,683
Manager's per diem and expenses	8,766	-	-	-	8,766	6,525
Miscellaneous	1,480	-	-	-	1,480	4,048
Office equipment and maintenance	33,176	-	-	-	33,176	44,304
Office supplies and postage	8,555	-	-	-	8,555	11,303
Printing	6,007	-	-	-	6,007	5,456
Salaries/payroll taxes/benefits	1,043,005	-	-	-	1,043,005	1,153,245
Telephone	4,810	-	-	-	4,810	3,656
Utilities	14,646	-	-	-	14,646	14,344
Vehicle lease and maintenance	7,153	-	-	-	7,153	9,522
Water quality monitoring	68,158	-	-	-	68,158	62,693
GIS system and maintenance	23,678	-	-	-	23,678	51,927
Internet/webset	24,662	-	-	-	24,662	29,761
Project operations	82,022	-	-	-	82,022	103,179
Committee expenditures	2,935	-	-	-	2,935	2,961
Total general government	1,789,104	0	0	0	1,789,104	2,089,979
Programs	654,689	-	-	-	654,689	537,083
Total current	2,443,793	0	0	0	2,443,793	2,627,062
Capital outlay	17,752	-	-	-	17,752	-
Construction/projects	-	-	-	1,297,760	1,297,760	2,290,043
Debt service	-	180,667	193,571	-	374,238	405,621
Total expenditures	$2,461,545	$180,667	$193,571	$1,297,760	$4,133,543	$5,322,726

OTHER INFORMATION - UNAUDITED

- This page intentionally left blank -

	2015/16 Tax Capacity Values	2014/15 Tax Capacity Values	2013/14 Tax Capacity Values	2012/13 Tax Capacity Values
Taxable valuations:				
Washington County	$31,946,789	$31,225,626	$28,478,597	$27,825,612
Ramsey County	124,454,760	120,010,031	110,632,519	110,580,868
Total	$156,401,549	$151,235,657	$139,111,116	$138,406,480

Tax levies extended:								
Extended in year	2015		2014		2013		2012	
Collectible in year	2016		2015		2014		2013	
	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate
General Fund	$2,653,500	2.000	$2,844,500	2.144	$2,872,500	2.165	$2,617,994	2.35150
Debt levy	180,746	.136	181,000	.136	181,238	.137	148,006	.13294
CIB Fund	3,839,885	2.894	3,513,200	2.648	2,945,481	2.220	2,268,479	2.03756
Total	$6,674,131	5.031	$6,538,700	4.929	$5,999,219	4.522	$5,034,479	4.52200

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
CIB FUND - UNAUDITED
SCHEDULE OF FINANCIAL ACTIVITY FROM INCEPTION

Project	CIB Year	Expenditures: Prior Years	Expenditures: 2015	Expenditures: Total
Completed projects:				
Subtotal - completed projects	1987-2006	$18,575,874	$ -	$18,575,874
Projects recently closed:				
552 - Flood Emergency Response	2006	86,142	-	86,142
551 - Fish Creek Repairs	2006	642,091	-	642,091
554 - Kohlman Basin Enhancements	2007	449,347	-	449,347
555 - Kohlman Lake Macrophyte Management	2007	41,926	-	41,926
556 - Gervais/Kohlman Monitoring	2007	92,290	-	92,290
557 - West Keller Lake Treatment Pond	2007	102,440	-	102,440
559 - Mailand McKnight	2007	72,002	-	72,002
561 - York Pond Improvement	2008	39,071	-	39,071
562 - Kohlman TMDL	2008	487,670	-	487,670
560 - Hwy 36/61 Treatment	2008	672,496	-	672,496
564 - Living Streets Demo	2010	1,048,092	-	1,048,092
568 - Maplewood Mall Project	2009-2013	7,222,238	-	7,222,238
530 - District Office Property expansion/improvement	2013	281,816	599	282,415
Current CIB projects:				
516 - Project Maintenance and Repair	1992-2015	7,818,749	625,601	8,444,350
529 - BMP Incentive Grant Program	2007-2015	1,772,683	477,066	2,249,749
528 - Faith Based Volume Reduction	2013	272,664	41,822	314,486
527 - Casey Lake Watershed Infiltration Project	2013	240,800	1,931	242,731
531 - Volume Reduction Opportunity Fund	2014	-	-	-
518 - School/Commercial Site Retrofit	2015	-	150,701	150,701
520 - Flood Damage	2015	-	20	20
519 - District Office Retrofit	2015	-	20	20
Subtotal		21,342,517	1,297,760	22,640,277
580 - CIB contingency account		181,089	-	181,089

Exhibit 2

Prior Years Revenue	2015 CIB Levy	Investment Income	Revenue Transfers/ Reallocation	Project Closeout	Grant/Project Reimbursement	Total Revenue	Revenue Over/(Under) Expenditures
$18,616,257	$ -	$ -	$ -	$ -	$ -	$18,616,257	$40,383
150,451	-	-	-	(64,309)	-	86,142	-
642,091	-	-	-	-	-	642,091	-
449,347	-	-	-	-	-	449,347	-
41,926	-	-	-	-	-	41,926	-
92,290	-	-	-	-	-	92,290	-
102,440	-	-	-	-	-	102,440	-
72,002	-	-	-	-	-	72,002	-
39,071	-	-	-	-	-	39,071	-
487,670	-	-	-	-	-	487,670	-
672,496	-	-	-	-	-	672,496	-
1,048,092	-	-	-	-	-	1,048,092	-
7,222,238	-	-	-	-	-	7,222,238	-
763,960	-	-	-	(481,545)	-	282,415	-
7,944,086	693,659	-	-	-	19,470	8,657,215	212,865
2,131,598	792,753	-	-	-	-	2,924,351	674,602
150,000	-	-	-	-	-	150,000	(164,486)
453,711	-	-	-	-	-	453,711	210,980
493,274	990,941	-	-	-	-	1,484,215	1,484,215
-	247,705	-	-	-	13,679	261,384	110,683
-	386,467	277	-	64,309	-	451,053	451,033
-	148,641	-	-	-	-	148,641	148,621
22,956,743	3,260,166	277	0	(481,545)	33,149	25,768,790	3,128,513
190,192	-	-	-	481,545	37,991	709,728	528,639
				Fund balance - December 31, 2015			$3,697,535

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMBINED SCHEDULE OF INDEBTEDNESS - UNAUDITED
December 31, 2015

	Dated	Final Due Date	Net Interest Rate
Bonded indebtedness:			
General Obligation Debt:			
G.O. Bonds of 1997 - PFA Bond	6/13/1997	8/20/2017	3.82%
G.O. Bonds of 1998 - PFA Bond	8/5/1998	8/20/2018	3.34%
G.O Bonds of 2012 - PFA Bond	5/5/2012	8/20/2027	1.70%
Refunding Certificates of Participation, Series 2012B	12/5/2012	2/1/2020	1.22%
Total bonded indebtedness			
Compensated absences			
Total indebtedness			

Exhibit 3

Authorized and Issued	Retired	Outstanding 12/31/15	Due in 2016 Principal	Due in 2016 Interest
$540,835	$466,459	$74,376	$36,484	$2,499
711,431	570,062	141,369	45,571	4,344
1,177,217	183,217	994,000	75,000	16,848
1,230,000	360,000	870,000	185,000	9,885
3,659,483	1,579,738	2,079,745	342,055	33,576
		82,029	71,184	-
$3,659,483	$1,579,738	$2,161,774	$413,239	$33,576

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
DEFERRED TAX LEVIES - PER BOARD RESOLUTIONS - UNAUDITED **Exhibit 4**
December 31, 2015

Year of Levy/ Collection	G.O. Bonds of 1997	G.O. Bonds of 1998	Total
2015/2016	$38,983	$49,915	$88,898
2016/2017	38,983	49,915	88,898
2017/2018	-	49,915	49,915
Totals	$77,966	$149,745	$227,711

OTHER REQUIRED REPORTS

- This page intentionally left blank -

REDPATH AND COMPANY

REPORT ON INTERNAL CONTROL

To the Honorable Managers and Management of the
Ramsey-Washington Metro Watershed District
Little Canada, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Ramsey-Washington Metro Watershed District as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Ramsey-Washington Metro Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ramsey-Washington Metro Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ramsey-Washington Metro Watershed District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as finding 2015-001 that we consider to be a material weakness.

Ramsey-Washington Metro Watershed District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Reponses. The District's response has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Ramsey-Washington Metro Watershed District's Board of Managers and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 27, 2016

2015-1 Audit Adjustments

Criteria: The District's controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition/Context: Capital assets were identified that were included in the financial statements in previous years that are not owned by the District in the amount of $6,853,168.

Cause: Unknown.

Effect: In prior years, expenses have been understated and capital assets have been overstated.

Recommendation: We recommend District staff determine the ownership of capital assets and capitalize only District owned assets.

Management's Response: Prior management determined this particular project (Maplewood Mall Phase 1-4) to be considered a capital asset in the first year of the multi-year project. Current management questioned the definition of capital assets as it related to that type of project on private property. The District will use that same definition in the future to properly determine the ownership of capital assets and capitalize only assets on property that the District itself owns.

- This page intentionally left blank -

MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the
Ramsey-Washington Metro Watershed District
Little Canada, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Ramsey-Washington Metro Watershed District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2016.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the above listed categories except we did not test for compliance with the provisions for tax increment financing because it is not applicable to the Ramsey-Washington Metro Watershed District.

In connection with our audit, nothing came to our attention that caused us to believe that Ramsey-Washington Metro Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Ramsey-Washington Metro Watershed District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of management, Ramsey-Washington Metro Watershed District's Board and the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 27, 2016

- This page intentionally left blank -