RAMSEY-WASHINGTON METRO WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2016

INTRODUCTORY SECTION

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
ORGANIZATION
December 31, 2016

	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

FINANCIAL SECTION

REDPATH AND COMPANY

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, 2016, 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.

4810 White Bear Parkway, St. Paul, MN, 55110 651.426.7000 www.redpathcpas.com

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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Ramsey-Washington Metro Watershed District's 2015 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, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary 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 and the Pension information on pages 42 through 47, 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 5, 2017

BASIC FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF NET POSITION
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 1

	Primary Government Governmental Activities	
	2016	2015
Assets:		
Cash and investments	$13,819,669	$7,076,127
Cash and investments with escrow	123,186	123,186
Property taxes receivable:		
Delinquent	83,942	88,807
Due from county	98,618	67,052
Accounts receivable	261	340
Due from other governmental units	14,640	62,545
Prepaid items	194,069	195,988
Capital assets - net:		
Depreciable	12,882,033	13,247,935
Nondepreciable	421,581	421,581
Total assets	27,637,999	21,283,561
Deferred outflows of resources:		
Related to pensions	406,724	94,523
Liabilities:		
Accounts payable	85,098	66,767
Accrued expenses	11,710	9,085
Due to other governmental units	27,137	60,032
Escrow deposits payable	875,085	454,165
Accrued interest payable	18,261	13,362
Retainage payable	21,863	10,017
Unearned revenue	85,552	75,000
Unamortized bond premiums	79,349	-
Compensated absences payable:		
Due within one year	71,097	71,184
Due in more than one year	15,897	10,845
Bonds payable:		
Due within one year	346,998	342,055
Due in more than one year	5,250,692	1,737,690
Net pension liability:		
Due in more than one year	974,340	684,093
Total liabilities	7,863,079	3,534,295
Deferred inflows of resources:		
Related to pensions	173,054	108,476
Net position:		
Net investment in capital assets	11,565,924	11,579,754
Restricted for:		
Debt service	26,865	244,235
Unrestricted	8,415,801	5,911,324
Total net position	$20,008,590	$17,735,313

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government Totals	
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	2016	2015
Primary government:						
Governmental activities:						
General government	$1,880,388	$138,360	$3,808	$ -	($1,738,220)	($1,690,935)
Programs	619,827	-	322,490	-	(297,337)	(489,882)
Projects	2,362,477	-	88,095	-	(2,274,382)	(1,644,667)
Interest on long-term debt	39,713	-	-	-	(39,713)	(38,857)
Total governmental activities	$4,902,405	$138,360	$414,393	$0	(4,349,652)	(3,864,341)
General revenues:						
Property taxes					6,598,916	6,479,471
Grants and contributions not restricted to specific programs					178	42
Unrestricted investment earnings					16,047	831
Miscellaneous other					7,788	10,874
Total general revenues					6,622,929	6,491,218
Change in net position					2,273,277	2,626,877
Net position - January 1, as originally reported					17,735,313	22,665,591
Prior period adjustment					-	(7,557,155)
Net position - January 1, as restated					17,735,313	15,108,436
Net position - December 31					$20,008,590	$17,735,313

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 3

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Intra-Activity Eliminations	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets							
Cash and investments	$4,135,419	$112,055	$ -	$9,572,195	$ -	$13,819,669	$7,076,127
Cash and investments with escrow	-	-	123,186	-	-	123,186	123,186
Accounts receivable	261	-	-	-	-	261	340
Due from other governmental units	14,640	-	-	-	-	14,640	62,545
Due from other funds	181,308	-	-	-	(181,308)	-	-
Taxes receivable:							
Delinquent	36,097	2,451	2,630	42,764	-	83,942	88,807
Due from county	39,208	2,671	2,880	53,859	-	98,618	67,052
Prepaid items	4,589	-	189,480	-	-	194,069	195,988
Total assets	$4,411,522	$117,177	$318,176	$9,668,818	($181,308)	$14,334,385	$7,614,045
Liabilities, deferred inflow of resources, and fund balance							
Liabilities:							
Accounts payable	$55,000	$ -	$ -	$30,098	$ -	$85,098	$66,767
Accrued expenses	11,710	-	-	-	-	11,710	9,085
Due to other governmental units	13,068	-	-	14,069	-	27,137	60,032
Due to other funds	-	-	181,308	-	(181,308)	-	-
Escrow deposits payable	875,085	-	-	-	-	875,085	454,165
Retainage payable	-	-	-	21,863	-	21,863	10,017
Unearned revenue	-	-	-	85,552	-	85,552	75,000
Total liabilities	954,863	0	181,308	151,582	(181,308)	1,106,445	675,066
Deferred inflows of resources:							
Unavailable tax revenue	36,097	2,451	2,630	42,764	-	83,942	88,807
Fund balance:							
Nonspendable	4,589	-	189,480	-	-	194,069	195,988
Restricted	-	114,726	-	-	-	114,726	113,262
Committed	-	-	-	3,730,430	-	3,730,430	-
Assigned	-	-	-	5,744,042	-	5,744,042	3,697,535
Unassigned	3,415,973	-	(55,242)	-	-	3,360,731	2,843,387
Total fund balance	3,420,562	114,726	134,238	9,474,472	0	13,143,998	6,850,172
Total liabilities, deferred inflow of resources, and fund balance	$4,411,522	$117,177	$318,176	$9,668,818	($181,308)	$14,334,385	$7,614,045

	2016	2015
Fund balance reported above	$13,143,998	$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.	13,303,614	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.	83,942	88,807
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.	406,724	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.	(6,756,634)	(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.	(173,054)	(108,476)
Net position of governmental activities	$20,008,590	$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
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 4

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenues:						
General property taxes	$2,625,530	$178,841	$192,831	$3,606,579	$6,603,781	$6,479,465
Intergovernmental:						
Market value homestead credit	178	-	-	-	178	42
Grants	122,439	-	-	153,960	276,399	139,152
Stormwater impact payment	125,400	-	-	-	125,400	154,019
Investment income	8,452	3,369	-	4,226	16,047	831
Permit escrow fees	12,960	-	-	-	12,960	14,400
Refunds and reimbursements	46,091	-	-	88,095	134,186	55,923
Other	7,788	-	-	-	7,788	10,874
Total revenues	2,948,838	182,210	192,831	3,852,860	7,176,739	6,854,706
Expenditures:						
Current:						
General government	1,772,270	-	-	-	1,772,270	1,789,104
Programs	617,601	-	-	-	617,601	654,689
Capital outlay	39,592	-	-	-	39,592	17,752
Construction/projects	-	-	-	1,934,568	1,934,568	1,297,760
Debt service:						
Principal	-	157,055	185,000	-	342,055	333,214
Interest and fiscal agent fees	-	23,691	11,781	-	35,472	41,024
Issuance costs	-	-	-	81,362	81,362	-
Total expenditures	2,429,463	180,746	196,781	2,015,930	4,822,920	4,133,543
Revenues over (under) expenditures	519,375	1,464	(3,950)	1,836,930	2,353,819	2,721,163
Other financing sources (uses):						
Bond issued	-	-	-	3,860,000	3,860,000	28,493
Bond premium	-	-	-	80,007	80,007	-
Total other financing sources (uses)	0	0	0	3,940,007	3,940,007	28,493
Net change in fund balance	519,375	1,464	(3,950)	5,776,937	6,293,826	2,749,656
Fund balance - January 1	2,901,187	113,262	138,188	3,697,535	6,850,172	4,100,516
Fund balance - December 31	$3,420,562	$114,726	$134,238	$9,474,472	$13,143,998	$6,850,172

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, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 5

		2016	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)		$6,293,826	$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.		(365,902)	(414,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,865)	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.		(3,517,945)	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.		(89,213)	(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	$57,310		
Pension expense	(99,934)	(42,624)	(8,985)
Change in net position of governmental activities (Statement 2)		$2,273,277	$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, except for investments in external investment pools that meet GASB 79 requirement, 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS
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 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 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 2016 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 position. Material bond premiums and discounts are amortized over the life of the bonds.

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 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, 2015 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. DEFINED BENEFIT PENSION PLANS

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.

S. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 ($6,756,634) difference are as follows:

Unamortized loan premium	($79,349)
Compensated absences payable	(86,994)
Bonds payable	(5,597,690)
Accrued interest payable	(18,261)
Net pension liability	(974,340)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities.	($6,756,634)

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 position 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 ($365,902) difference are as follows:

Capital Outlay	$39,592
Depreciation expense	(405,494)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($365,902)

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 ($4,865) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2015	($88,807)
At December 31, 2016	83,942
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($4,865)

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 position. The details of this ($3,517,945) difference are as follows:

Debt issued or incurred:	
Issuances of 2016A G.O. Bonds	($3,860,000)
Principal repayments:	
General obligation debt issuance	157,055
Certificates of participation	185,000
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($3,517,945)

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 ($89,213) difference are as follows:

Debt premium	($80,007)
Amortization of debt premium	658
Compensated absences	(4,965)
Accrued interest	(4,899)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	($89,213)

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, 2016.

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, 2016, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years) Less Than 1
Money market funds	NR	$123,186	$123,186
External investment pool	NR	13,819,669	13,819,669
Total investments		$13,942,855	$13,942,855

NR = Not Rated

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

Cash and investments	$13,819,669
Cash and investments with escrow	123,186
Total	$13,942,855

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable. Pooled investments and mutual funds are not required to be categorized.

Investment Type	12/31/2016
Investments at amortized cost:	
External investment pool - 4M Fund	$ 13,819,669
Investments at Net Asset Value (NAV):	
Mutual funds	123,186
Total	$13,942,855

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 pool and the value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset (NAV) per share of $1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost.

The 4M Liquid Asset Fund has no redemption requirements.

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, 2016 are as follows:

	Major Funds		
	General	Capital Projects CIB	Total
Delinquent property taxes	$30,800	$36,500	$67,300

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	$36,097
General Obligation Bonds	2,451
Certificates of Participation	2,630
Capital Projects CIB	42,764
Total unavailable revenue	$83,942

Note 5 DEFINED BENEFIT PENSION PLANS

A. 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.

B. 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% 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% 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.

C. 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 2016. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The District's contributions to the GERF for the year ended December 31, 2016, were $57,310. The District's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERF Pension Costs

At December 31, 2016, the District reported a liability of $974,340 for its proportionate share of the GERF's net pension liability. The Districts' net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $12,771. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was .0120% which was a decrease of .0012% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of $99,934 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $3,808 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At December 31, 2016, 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	$ -	$79,150
Changes in actuarial assumptions	190,777	-
Difference between projected and actual investment earnings	184,935	-
Changes in proportion	-	93,904
Contributions paid to PERA subsequent to the measurement date	31,012	-
Total	$406,724	$173,054

$31,012 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, 2017. 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
2017	$44,115
2018	44,117
2019	79,231
2020	35,195
2021	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% for all future years.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The long-term expected rate of return on pension plan investments is 7.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statute. Based on that assumption, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. 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.

G. 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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the GERF net pension liability	$1,383,852	$974,340	$637,014

H. 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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$421,581	$ -	$ -	$421,581
Construction in process	-	-	-	-
Total capital assets, not being depreciated	$421,581	0	0	421,581
Capital assets, being depreciated:				
Building	2,126,849	-	-	2,126,849
Furniture and fixtures	102,063	-	-	102,063
Equipment	120,463	15,760	-	136,223
Vehicles	72,189	23,832	(17,040)	78,981
Infrastructure	20,085,279	-	-	20,085,279
Total capital assets, being depreciated	22,506,843	39,592	(17,040)	22,529,395
Less accumulated depreciation for:				
Building	522,710	53,171	-	575,881
Furniture and fixtures	102,063	-	-	102,063
Equipment	119,813	2,226	-	122,039
Vehicles	56,212	3,550	(17,040)	42,722
Infrastructure	8,458,110	346,547	-	8,804,657
Total accumulated depreciation	9,258,908	405,494	(17,040)	9,647,362
Total capital assets being depreciated - net	13,247,935	(365,902)	-	12,882,033
Governmental activities capital assets - net	$13,669,516	($365,902)	$0	$13,303,614

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

Governmental activities:	
General government	$56,721
Programs	2,226
Projects	346,547
Total depreciation expense - governmental activities	$405,494

Note 7 LONG-TERM DEBT

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

	Governmental Activities											
Year Ending	G.O. Bonds of 1997 PFA Bond		G.O. Bonds of 1998 PFA Bond		Certificates of Participation Series 2012B		G.O. Bonds of 2012 PFA Bond		G.O. Drainage Bonds 2016A		Totals	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$37,892	$1,090	$47,106	$2,810	$185,000	$8,035	$77,000	$15,578	$ -	$57,502	$346,998	$85,015
2018	-	-	48,692	1,223	190,000	5,923	78,000	14,272	205,000	78,813	521,692	100,231
2019	-	-	-	-	190,000	3,357	79,000	12,950	230,000	74,463	499,000	90,770
2020	-	-	-	-	120,000	990	81,000	11,611	235,000	69,813	436,000	82,414
2021	-	-	-	-	-	-	82,000	10,238	240,000	65,063	322,000	75,301
2022	-	-	-	-	-	-	83,000	8,848	240,000	60,263	323,000	69,111
2023	-	-	-	-	-	-	85,000	7,441	245,000	55,413	330,000	62,854
2024	-	-	-	-	-	-	86,000	6,000	250,000	50,463	336,000	56,463
2025	-	-	-	-	-	-	88,000	4,543	255,000	45,413	343,000	49,956
2026	-	-	-	-	-	-	89,000	3,051	260,000	40,263	349,000	43,314
2027	-	-	-	-	-	-	91,000	1,542	270,000	34,963	361,000	36,505
2028	-	-	-	-	-	-	-	-	275,000	29,513	275,000	29,513
2029	-	-	-	-	-	-	-	-	280,000	23,963	280,000	23,963
2030	-	-	-	-	-	-	-	-	285,000	17,956	285,000	17,956
2031	-	-	-	-	-	-	-	-	290,000	11,125	290,000	11,125
2032	-	-	-	-	-	-	-	-	300,000	3,750	300,000	3,750
Total	$37,892	$1,090	$95,798	$4,033	$685,000	$18,305	$919,000	$96,074	$3,860,000	$718,739	$5,597,690	$838,241

The following is a schedule of changes in the District's indebtedness for the year ended December 31, 2016:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16	Due Within One Year
Governmental activities:					
Bonded debt:					
General Obligation Bonds of 1997, PFA Bond	$74,376	$ -	($36,484)	$37,892	$37,892
General Obligation Bonds of 1998, PFA Bond	141,369	-	(45,571)	95,798	47,106
General Obligation Bonds of 2012, PFA Bond	994,000	-	(75,000)	919,000	77,000
Certificates of Participation, Series 2012B	870,000	-	(185,000)	685,000	185,000
General Obligation Drainage Bonds of 2016A	-	3,860,000	-	3,860,000	-
Unamortized bond premiums	-	80,007	(658)	79,349	-
Compensated absences	82,029	80,381	(75,416)	86,994	71,097
Total governmental activities	$2,161,774	$4,020,388	($418,129)	$5,764,033	$418,095

For the governmental activities, compensated absences are generally liquidated by the General Fund. All long-term bonded indebtedness outstanding at December 31, 2016 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.

$3,860,000 GENERAL OBLIGATION DRAINAGE BONDS, SERIES 2016A

The District sold the $3,860,000 2016A Bonds on November 15, 2016 for the purpose of funding eligible ongoing maintenance and repairs for the Beltline and Battle Creek Tunnel repair project. The term of the bond is 15 years, at an interest rate of 2.0% - 2.5% per annum.

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, 2016, the District had committed contracts of $2,984,641 for construction/repair projects.

Note 10 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2016, 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	$4,589	$ -	$189,480	$ -	$194,069
Restricted for:					
Debt service	-	114,726	-	-	114,726
Committed to:					
Construction/projects	-	-	-	3,730,430	3,730,430
Assigned to:					
Construction/projects	-	-	-	5,744,042	5,744,042
Unassigned	3,415,973	-	(55,242)	-	3,360,731
Total	$3,420,562	$114,726	$134,238	$9,474,472	$13,143,998

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, 2016, the unassigned fund balance of the General Fund was 105.45% of the subsequent year's budgeted expenditures.

Note 11 INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2016 are as follows:

Fund	Receivable	Payable
General Fund	$181,308	$ -
Certificates of Participation	-	181,308
Total	$181,308	$181,308

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. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 80 *Blending Requirements for Certain Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

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

Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 85 *Omnibus 2017.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

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:	
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, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 6
Page 1 of 2

	2016				
	Budgeted Amounts		Actual	Variance with Final Budget - Positive	2015 Actual
	Original	Final	Amounts	(Negative)	Amounts
Revenue:					
General property taxes:					
Current and delinquent	$2,653,500	$2,653,500	$2,625,530	($27,970)	$2,818,731
Intergovernmental:					
Market value homestead credit	-	-	178	178	42
Grants	43,000	43,000	122,439	79,439	115,975
Total intergovernmental	43,000	43,000	122,617	79,617	116,017
Stormwater impact payment	-	-	125,400	125,400	154,019
Investment income	20,000	20,000	8,452	(11,548)	554
Permit escrow fees	15,000	15,000	12,960	(2,040)	14,400
Refunds and reimbursements	-	-	46,091	46,091	36,453
Other	-	-	7,788	7,788	10,874
Total revenue	2,731,500	2,731,500	2,948,838	217,338	3,151,048
Expenditures:					
General government:					
Engineering:					
Administration	109,000	109,000	93,369	15,631	139,874
Permit review	50,000	50,000	49,965	35	36,804
Engineer review	65,000	65,000	42,974	22,026	45,776
Subtotal engineering	224,000	224,000	186,308	37,692	222,454
Consulting	80,000	80,000	57,629	22,371	82,112
District training	25,000	25,000	22,184	2,816	14,316
Dues	9,000	9,000	7,671	1,329	9,509
Employee expenses	10,000	10,000	6,166	3,834	8,105
Insurance	35,000	35,000	29,044	5,956	32,060
Legal and audit	90,000	90,000	81,429	8,571	91,495
Manager's per diem and expenses	10,000	10,000	7,658	2,342	8,766
Miscellaneous	10,000	10,000	40	9,960	1,480
Office equipment and maintenance	55,000	55,000	35,502	19,498	33,176
Office supplies and postage	15,000	15,000	6,717	8,283	8,555
Printing	12,000	12,000	5,964	6,036	6,007
Salaries/payroll taxes/benefits	1,150,000	1,150,000	1,048,541	101,459	1,043,005
Telephone	12,000	12,000	4,282	7,718	4,810
Utilities	23,000	23,000	6,438	16,562	14,646
Vehicle lease and maintenance	40,000	40,000	45,049	(5,049)	24,905
Water quality monitoring	122,000	122,000	64,715	57,285	68,158
GIS system maintenance and equipment	40,000	40,000	17,960	22,040	23,678
Internet/website	55,000	55,000	29,571	25,429	24,662
Project operations	140,000	140,000	146,342	(6,342)	82,022
Committee expenditures	3,500	3,500	2,652	848	2,935
Total general government	2,160,500	2,160,500	1,811,862	348,638	1,806,856

	2016				
	Budgeted Amounts		Actual	Variance with Final Budget - Positive	2015 Actual
	Original	Final	Amounts	(Negative)	Amounts
Watershed programs:					
Project feasibility studies	$200,000	$200,000	$185,410	$14,590	$119,666
Watershed management plan update	50,000	50,000	104,746	(54,746)	55,711
Education programming	60,000	60,000	51,178	8,822	41,098
Natural resources program	90,000	90,000	57,352	32,648	76,431
Research projects	115,000	115,000	82,039	32,961	116,143
Waterfest	40,000	40,000	36,445	3,555	31,828
NPDES Phase II	40,000	40,000	14,627	25,373	16,107
Health and safety program	5,000	5,000	2,187	2,813	1,038
Lake Studies/WRAPS/TMDL	80,000	80,000	44,663	35,337	149,748
Outside programs	60,000	60,000	38,954	21,046	46,919
Total watershed programs	740,000	740,000	617,601	122,399	654,689
Total expenditures	2,900,500	2,900,500	2,429,463	471,037	2,461,545
Revenue over (under) expenditures	($169,000)	($169,000)	519,375	$688,375	689,503
Fund balance - January 1			2,901,187		2,211,684
Fund balance - December 31			$3,420,562		$2,901,187

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2016

Statement 7

Measurement Date	Fiscal Year Ending	District's Proportionate Share (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.0132%	$684,093	$ -	$684,093	$773,820	88.4%	78.2%
June 30, 2016	December 31, 2016	0.0120%	974,340	12,771	987,111	747,482	132.1%	68.9%

* 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, 2016

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	$57,121	$57,121	$ -	$761,606	7.5%
December 31, 2016	57,310	57,310	-	764,138	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.

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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

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET **Statement 9**
GENERAL FUND
December 31, 2016
With Comparative Amounts For December 31, 2015

Assets	2016	2015
Cash and investments	$4,135,419	$3,220,513
Accounts receivable	261	340
Due from other governmental units	14,640	62,521
Due from other funds	181,308	177,365
Taxes receivable:		
Delinquent	36,097	42,095
Due from county	39,208	29,169
Prepaid insurance	4,589	5,587
Total assets	$4,411,522	$3,537,590
Liabilities, deferred inflow of resources, and fund balance		
Liabilities:		
Accounts payable	$55,000	$45,434
Accrued expenses	11,710	9,085
Due to other governmental units	13,068	10,624
Escrow deposits payable	875,085	454,165
Unearned revenue	-	75,000
Total liabilities	954,863	594,308
Deferred inflow of resources:		
Unavailable tax revenue	36,097	42,095
Fund balance:		
Nonspendable	4,589	5,587
Unassigned	3,415,973	2,895,600
Total fund balance	3,420,562	2,901,187
Total liabilities, deferred inflow of resources, and fund balance	$4,411,522	$3,537,590

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Amounts For The Year Ended December 31, 2015

Statement 10

	2016	2015
Revenue:		
General property taxes:		
Current and delinquent	$2,625,530	$2,818,731
Intergovernmental:		
Market value homestead credit	178	42
Grants	122,439	115,975
Total intergovernmental	122,617	116,017
Stormwater impact payment	125,400	154,019
Investment income	8,452	554
Permit escrow fees	12,960	14,400
Refunds and reimbursements	46,091	36,453
Other	7,788	10,874
Total revenue	2,948,838	3,151,048
Expenditures:		
Current:		
General government	1,772,270	1,789,104
Programs	617,601	654,689
Capital outlay	39,592	17,752
Total expenditures	2,429,463	2,461,545
Revenue over (under) expenditures	519,375	689,503
Fund balance - January 1, as previously reported	2,901,187	2,211,684
Fund balance - December 31	$3,420,562	$2,901,187

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SUPPLEMENTARY FINANCIAL INFORMATION

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - ALL FUNDS **Schedule 1**
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Expenditures:	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB Fund	Totals 2016	Totals 2015
Current:						
General government:						
Engineering	$186,308	$ -	$ -	$ -	$186,308	$222,454
Consulting services	57,629	-	-	-	57,629	82,112
District training	22,184	-	-	-	22,184	14,316
Dues	7,671	-	-	-	7,671	9,509
Employee expenses	6,166	-	-	-	6,166	8,105
Insurance	29,044	-	-	-	29,044	32,060
Legal and audit	81,429	-	-	-	81,429	91,495
Manager's per diem and expenses	7,658	-	-	-	7,658	8,766
Miscellaneous	40	-	-	-	40	1,480
Office equipment and maintenance	35,502	-	-	-	35,502	33,176
Office supplies and postage	6,717	-	-	-	6,717	8,555
Printing	5,964	-	-	-	5,964	6,007
Salaries/payroll taxes/benefits	1,048,541	-	-	-	1,048,541	1,043,005
Telephone	4,282	-	-	-	4,282	4,810
Utilities	6,438	-	-	-	6,438	14,646
Vehicle lease and maintenance	5,457	-	-	-	5,457	7,153
Water quality monitoring	64,715	-	-	-	64,715	68,158
GIS system and maintenance	17,960	-	-	-	17,960	23,678
Internet/webset	29,571	-	-	-	29,571	24,662
Project operations	146,342	-	-	-	146,342	82,022
Committee expenditures	2,652	-	-	-	2,652	2,935
Total general government	1,772,270	0	0	0	1,772,270	1,789,104
Programs	617,601	-	-	-	617,601	654,689
Total current	2,389,871	0	0	0	2,389,871	2,443,793
Capital outlay	39,592	-	-	-	39,592	17,752
Construction/projects	-	-	-	1,934,568	1,934,568	1,297,760
Debt service	-	180,746	196,781	81,362	458,889	374,238
Total expenditures	$2,429,463	$180,746	$196,781	$2,015,930	$4,822,920	$4,133,543

OTHER INFORMATION - UNAUDITED

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RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
TAXABLE VALUATIONS, TAX LEVIES AND TAX RATES - UNAUDITED **Exhibit 1**

	2016/17 Tax Capacity Values	2015/16 Tax Capacity Values	2014/15 Tax Capacity Values	2013/14 Tax Capacity Values
Taxable valuations:				
Washington County	$33,600,179	$31,911,162	$31,225,626	$28,478,597
Ramsey County	124,454,760	123,130,134	120,010,031	110,632,519
Total	$158,054,939	$155,041,296	$151,235,657	$139,111,116

Tax levies extended:								
Extended in year	2016		2015		2014		2013	
Collectible in year	2017		2016		2015		2014	
	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate	Levy	Tax Capacity Rate
General Fund	$3,121,500	2.353	$2,653,500	2.000	$2,844,500	2.144	$2,872,500	2.165
Debt levy	238,977	.180	180,746	.136	181,000	.136	181,238	.137
CIB Fund	3,205,383	2.416	3,839,885	2.894	3,513,200	2.648	2,945,481	2.220
Total	$6,565,860	4.949	$6,674,131	5.031	$6,538,700	4.929	$5,999,219	4.522

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

Project	CIB Year	Expenditures Prior Years	Expenditures 2016	Expenditures Total	Revenue Prior Years Revenue
Completed projects:					
Subtotal - completed projects	1987-2006	$19,304,107	$ -	$19,304,107	$19,344,490
Projects recently closed:					
554 - Kohlman Basin Enhancements	2007	449,347	-	449,347	449,347
555 - Kohlman Lake Macrophyte Management	2007	41,926	-	41,926	41,926
556 - Gervais/Kohlman Monitoring	2007	92,290	-	92,290	92,290
557 - West Keller Lake Treatment Pond	2007	102,440	-	102,440	102,440
559 - Mailand McKnight	2007	72,002	-	72,002	72,002
561 - York Pond Improvement	2008	39,071	-	39,071	39,071
562 - Kohlman TMDL	2008	487,670	-	487,670	487,670
560 - Hwy 36/61 Treatment	2008	672,496	-	672,496	672,496
564 - Living Streets Demo	2010	1,048,092	-	1,048,092	1,048,092
568 - Maplewood Mall Project	2009-2013	7,222,238	-	7,222,238	7,222,238
530 - District Office Property expansion/improvement	2013	282,415	-	282,415	282,415
Current CIB projects:					
516 - Project Maintenance and Repair	1992-2015	8,444,350	528,584	8,972,934	8,657,215
529 - BMP Incentive Grant Program	2007-2015	2,249,749	492,526	2,742,275	2,924,351
528 - Faith Based Volume Reduction	2013	314,486	100,041	414,527	150,000
527 - Casey Lake Watershed Infiltration Project	2013	242,731	-	242,731	453,711
531 - Volume Reduction Opportunity Fund	2014	-	-	-	1,484,215
518 - School/Commercial Site Retrofit	2015	150,701	431,797	582,498	261,384
520 - Flood Damage	2015	20	-	20	451,053
519 - District Office Retrofit	2015	20	2,002	2,022	148,641
549 - Beltline/Battle Creek	2016	-	209,577	209,577	-
550 - Frost/Kennard Project	2016	-	91,186	91,186	-
551 - Markham Pond Project	2016	-	74,427	74,427	-
Subtotal		21,912,044	1,930,140	23,842,184	25,040,557
580 - CIB contingency account		181,089	85,790	266,879	709,728

2016 CIB Levy	Investment Income	Bond Issuance	Revenue Transfers/ Reallocation	Project Closeout	Grant/Project Reimbursement	Total Revenue	Revenue Over/(Under) Expenditures
$ -	$ -	$ -	$ -	$ -	$ -	$19,344,490	$40,383
-	-	-	-	-	-	449,347	-
-	-	-	-	-	-	41,926	-
-	-	-	-	-	-	92,290	-
-	-	-	-	-	-	102,440	-
-	-	-	-	-	-	72,002	-
-	-	-	-	-	-	39,071	-
-	-	-	-	-	-	487,670	-
-	-	-	-	-	-	672,496	-
-	-	-	-	-	-	1,048,092	-
-	-	-	-	-	-	7,222,238	-
-	-	-	-	-	-	282,415	-
692,622	-	-	-	-	88,095	9,437,932	464,998
791,567	-	-	-	-	-	3,715,918	973,643
-	-	-	-	-	-	150,000	(264,527)
-	-	-	-	-	-	453,711	210,980
-	-	-	-	-	-	1,484,215	1,484,215
593,676	-	-	-	-	89,512	944,572	362,074
385,889	4,226	-	-	-	-	841,168	841,148
-	-	-	-	-	-	148,641	146,619
791,567	-	3,940,007	-	-	-	4,731,574	4,521,997
74,209	-	-	-	-	64,448	138,657	47,471
277,049	-		-	-	-	277,049	202,622
3,606,579	4,226	3,940,007	0	0	242,055	32,833,424	8,991,240
-	-	-	-	-	-	709,728	442,849
			Fund balance - December 31, 2016				$9,474,472

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMBINED SCHEDULE OF INDEBTEDNESS - UNAUDITED
December 31, 2016

	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%
G.O. Drainage Bonds of 2016A	11/15/2016	2/1/2032	2.09%
Total bonded indebtedness			
Unamortized bond premiums			
Compensated absences			
Total indebtedness			

Exhibit 3

Authorized and Issued	Retired	Outstanding 12/31/16	Due in 2017 Principal	Due in 2017 Interest
$540,835	$502,943	$37,892	$37,892	$1,090
711,431	615,633	95,798	47,106	2,810
1,177,217	258,217	919,000	77,000	15,578
1,230,000	545,000	685,000	185,000	8,035
3,860,000	-	3,860,000	-	57,502
7,519,483	1,921,793	5,597,690	346,998	85,015
		79,349	-	-
		86,994	71,097	-
$7,519,483	$1,921,793	$5,764,033	$418,095	$85,015

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
DEFERRED TAX LEVIES - PER BOARD RESOLUTIONS - UNAUDITED **Exhibit 4**
December 31, 2016

Year of Levy/ Collection	G.O. Bonds of 1997	G.O. Bonds of 1998	G.O. Drainage Bonds of 2016A	Total
2016/2017	$38,982	$49,916	$57,502	$146,400
2017/2018	-	49,915	322,101	372,016
2018/2019	-	-	322,521	322,521
2019/2020	-	-	322,836	322,836
2020/2021	-	-	317,796	317,796
2021/2022	-	-	318,006	318,006
2022/2023	-	-	318,111	318,111
2023/2024	-	-	318,111	318,111
2024/2025	-	-	318,006	318,006
2025/2026	-	-	323,046	323,046
2026/2027	-	-	322,626	322,626
2027/2028	-	-	322,101	322,101
2028/2029	-	-	321,471	321,471
2029/2030	-	-	319,988	319,988
2030/2031	-	-	322,875	322,875
Totals	$38,982	$99,831	$4,547,097	$4,685,910

OTHER REQUIRED REPORTS

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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, 2016, 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 5, 2017

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REDPATH
AND COMPANY

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 governmental activities and each major fund of the Ramsey-Washington Metro Watershed District, as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the Ramsey-Washington Metro Watershed District's basic financial statements, and have issued our report thereon dated April 5, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 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 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 those charged with governance and management of Ramsey-Washington Metro Watershed District 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 5, 2017

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