

**RAMSEY-WASHINGTON METRO
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2017

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RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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INTRODUCTORY SECTION

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RAMSEY-WASHINGTON METRO WATERSHED DISTRICT

ORGANIZATION

December 31, 2017

	<u>Term Expires</u>
Managers:	
Marj Ebensteiner - President	February 23, 2018
Clifton Aichinger - Vice President	February 23, 2019
Pamela Skinner - Secretary	February 23, 2018
Jen Oknich - Treasurer	February 23, 2020
Dianne Ward - Manager	February 23, 2020
Administrator:	
Tina Carstens	Appointed

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FINANCIAL SECTION

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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, 2017, and the related notes to the financial statements, which collectively comprise the Ramsey-Washington Metro Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ramsey-Washington Metro Watershed District, as of December 31, 2017, 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 2016 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 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 40 through 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The individual fund financial statements and the supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 19, 2018

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BASIC FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

With Comparative Totals For December 31, 2016

Statement 1

	Primary Government	
	Governmental Activities	
	2017	2016
Assets:		
Cash and investments	\$13,676,812	\$13,819,669
Cash and investments with escrow	123,186	123,186
Property taxes receivable:		
Delinquent	77,383	83,942
Due from county	75,881	98,618
Accounts receivable	3,732	261
Due from other governmental units	172,386	14,640
Prepaid items	450,212	194,069
Capital assets - net:		
Depreciable	12,441,518	12,882,033
Nondepreciable	421,581	421,581
Total assets	<u>27,442,691</u>	<u>27,637,999</u>
Deferred outflows of resources:		
Related to pensions	<u>217,441</u>	<u>406,724</u>
Liabilities:		
Accounts payable	97,338	85,098
Accrued expenses	13,581	11,710
Due to other governmental units	19,951	27,137
Escrow deposits payable	909,875	875,085
Accrued interest payable	13,786	18,261
Contracts payable	37,149	-
Retainage payable	179,909	21,863
Unearned revenue	74,679	85,552
Unamortized bond premiums	74,088	79,349
Compensated absences payable:		
Due within one year	76,936	71,097
Due in more than one year	9,130	15,897
Bonds payable:		
Due within one year	521,692	346,998
Due in more than one year	4,729,000	5,250,692
Net pension liability:		
Due in more than one year	<u>797,992</u>	<u>974,340</u>
Total liabilities	<u>7,555,106</u>	<u>7,863,079</u>
Deferred inflows of resources:		
Related to pensions	<u>186,698</u>	<u>173,054</u>
Net position:		
Net investment in capital assets	11,398,319	11,565,924
Restricted for:		
Debt service	132,904	26,865
Unrestricted	<u>8,387,105</u>	<u>8,415,801</u>
Total net position	<u>\$19,918,328</u>	<u>\$20,008,590</u>

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
Statement 2

For The Year Ended December 31, 2017

With Comparative Totals For The Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Totals	Totals
					2017	2016
Primary government:						
Governmental activities:						
General government	\$1,966,944	\$178,440	\$290	\$ -	(\$1,788,214)	(\$1,738,220)
Programs	480,118	-	451,098	-	(29,020)	(297,337)
Projects	4,893,508	-	67,478	-	(4,826,030)	(2,274,382)
Interest on long-term debt	79,302	-	-	-	(79,302)	(39,713)
Total governmental activities	<u>\$7,419,872</u>	<u>\$178,440</u>	<u>\$518,866</u>	<u>\$0</u>	<u>(6,722,566)</u>	<u>(4,349,652)</u>
General revenues:						
Property taxes					6,538,357	6,598,916
Grants and contributions not restricted to specific programs					29	178
Unrestricted investment earnings					81,958	16,047
Miscellaneous other					11,960	7,788
Total general revenues					<u>6,632,304</u>	<u>6,622,929</u>
Change in net position					(90,262)	2,273,277
Net position - January 1					<u>20,008,590</u>	<u>17,735,313</u>
Net position - December 31					<u>\$19,918,328</u>	<u>\$20,008,590</u>

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

With Comparative Totals For December 31, 2016

Statement 3

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Intra- Activity Eliminations	Total Governmental Funds	
						2017	2016
Assets							
Cash and investments	\$5,044,853	\$112,050	\$ -	\$8,519,909	\$ -	\$13,676,812	\$13,819,669
Cash and investments with escrow	-	-	123,186	-	-	123,186	123,186
Accounts receivable	732	-	-	3,000	-	3,732	261
Due from other governmental units	138,405	-	-	33,981	-	172,386	14,640
Due from other funds	185,075	-	-	-	(185,075)	-	-
Property taxes receivable:							
Delinquent	35,445	2,443	2,230	37,265	-	77,383	83,942
Due from county	36,074	2,097	2,252	35,458	-	75,881	98,618
Prepaid items	11,507	245,431	193,274	-	-	450,212	194,069
Total assets	<u>\$5,452,091</u>	<u>\$362,021</u>	<u>\$320,942</u>	<u>\$8,629,613</u>	<u>(\$185,075)</u>	<u>\$14,579,592</u>	<u>\$14,334,385</u>
Liabilities, deferred inflows of resources, and fund balance							
Liabilities:							
Accounts payable	\$21,095	\$ -	\$ -	\$76,243	\$ -	\$97,338	\$85,098
Accrued expenses	13,581	-	-	-	-	13,581	11,710
Due to other governmental units	7,470	-	-	12,481	-	19,951	27,137
Due to other funds	-	-	185,075	-	(185,075)	-	-
Escrow deposits payable	909,875	-	-	-	-	909,875	875,085
Contracts payable	-	-	-	37,149	-	37,149	-
Retainage payable	-	-	-	179,909	-	179,909	21,863
Unearned revenue	-	-	-	74,679	-	74,679	85,552
Total liabilities	<u>952,021</u>	<u>0</u>	<u>185,075</u>	<u>380,461</u>	<u>(185,075)</u>	<u>1,332,482</u>	<u>1,106,445</u>
Deferred inflows of resources:							
Unavailable revenue	170,165	2,443	2,230	37,265	-	212,103	83,942
Fund balance:							
Nonspendable	11,507	245,431	193,274	-	-	450,212	194,069
Restricted	-	114,147	-	-	-	114,147	114,726
Committed	-	-	-	1,676,114	-	1,676,114	3,730,430
Assigned	-	-	-	6,535,773	-	6,535,773	5,744,042
Unassigned	4,318,398	-	(59,637)	-	-	4,258,761	3,360,731
Total fund balance	<u>4,329,905</u>	<u>359,578</u>	<u>133,637</u>	<u>8,211,887</u>	<u>0</u>	<u>13,035,007</u>	<u>13,143,998</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$5,452,091</u>	<u>\$362,021</u>	<u>\$320,942</u>	<u>\$8,629,613</u>	<u>(\$185,075)</u>	<u>\$14,579,592</u>	<u>\$14,334,385</u>
Fund balance reported above						\$13,035,007	\$13,143,998
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.						12,863,099	13,303,614
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.						212,103	83,942
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.						217,441	406,724
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.						(6,222,624)	(6,756,634)
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.						(186,698)	(173,054)
Net position of governmental activities						<u>\$19,918,328</u>	<u>\$20,008,590</u>

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, 2017
With Comparative Totals For The Year Ended December 31, 2016

Statement 4

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total Governmental Funds	
					2017	2016
Revenues:						
General property taxes	\$3,111,543	\$180,896	\$194,263	\$3,058,214	\$6,544,916	\$6,603,781
Intergovernmental:						
Market value credit	29	-	-	-	29	178
Grants	26,147	-	-	404,165	430,312	276,399
Stormwater impact payment	33,680	-	-	-	33,680	125,400
Investment income	54,639	-	-	27,319	81,958	16,047
Permit escrow fees	10,040	-	-	-	10,040	12,960
Refunds and reimbursements	20,786	-	-	70,478	91,264	134,186
Other	8,960	-	-	-	8,960	7,788
Total revenues	<u>3,265,824</u>	<u>180,896</u>	<u>194,263</u>	<u>3,560,176</u>	<u>7,201,159</u>	<u>7,176,739</u>
Expenditures:						
Current:						
General government	1,879,515	-	-	-	1,879,515	1,772,270
Programs	476,966	-	-	-	476,966	617,601
Capital outlay	-	-	-	-	-	39,592
Construction/projects	-	-	-	4,517,633	4,517,633	1,934,568
Debt service:						
Principal	-	161,998	185,000	-	346,998	342,055
Interest and fiscal agent fees	-	19,477	9,864	59,697	89,038	35,472
Issuance costs	-	-	-	-	-	81,362
Total expenditures	<u>2,356,481</u>	<u>181,475</u>	<u>194,864</u>	<u>4,577,330</u>	<u>7,310,150</u>	<u>4,822,920</u>
Revenues over (under) expenditures	<u>909,343</u>	<u>(579)</u>	<u>(601)</u>	<u>(1,017,154)</u>	<u>(108,991)</u>	<u>2,353,819</u>
Other financing sources (uses):						
Bond issued	-	-	-	-	-	3,860,000
Bond premium	-	-	-	-	-	80,007
Transfers in	-	245,431	-	210,980	456,411	-
Transfers out	-	-	-	(456,411)	(456,411)	-
Total other financing sources (uses)	<u>0</u>	<u>245,431</u>	<u>0</u>	<u>(245,431)</u>	<u>0</u>	<u>3,940,007</u>
Net change in fund balance	<u>909,343</u>	<u>244,852</u>	<u>(601)</u>	<u>(1,262,585)</u>	<u>(108,991)</u>	<u>6,293,826</u>
Fund balance - January 1	<u>3,420,562</u>	<u>114,726</u>	<u>134,238</u>	<u>9,474,472</u>	<u>13,143,998</u>	<u>6,850,172</u>
Fund balance - December 31	<u>\$4,329,905</u>	<u>\$359,578</u>	<u>\$133,637</u>	<u>\$8,211,887</u>	<u>\$13,035,007</u>	<u>\$13,143,998</u>

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, 2017
With Comparative Totals For The Year Ended December 31, 2016

Statement 5

	<u>2017</u>	<u>2016</u>
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)	(\$108,991)	\$6,293,826
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 depreciation exceeded capital outlays in the current period.	(440,515)	(365,902)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	128,161	(4,865)
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.	346,998	(3,517,945)
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.	10,664	(89,213)
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	\$60,595	
Pension expense	(87,174)	
	<u>(26,579)</u>	<u>(42,624)</u>
Change in net position of governmental activities (Statement 2)	<u>(\$90,262)</u>	<u>\$2,273,277</u>

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 2010. The District did not acquire any intangible assets since implementing GASB No. 51.

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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.

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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, 2016 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 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 (\$6,222,624) difference are as follows:

Unamortized loan premium	(\$74,088)
Compensated absences payable	(86,066)
Bonds payable	(5,250,692)
Accrued interest payable	(13,786)
Net pension liability	<u>(797,992)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities.	<u><u>(\$6,222,624)</u></u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, 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 (\$440,515) difference are as follows:

Depreciation expense	<u>(\$440,515)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>(\$440,515)</u>

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 \$128,161 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2016	(\$83,942)
At December 31, 2017	77,383
Unavailable revenue - stormwater impact payment at December 31, 2017	<u>134,720</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$128,161</u>

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 long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$346,998 difference are as follows:

Principal repayments:	
General obligation debt issuance	\$161,998
Certificates of participation	<u>185,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$346,998</u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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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 \$10,664 difference are as follows:

Amortization of debt premium	\$5,261
Compensated absences	928
Accrued interest	<u>4,475</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$10,664</u></u>

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, 2017.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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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, 2017, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years) Less Than 1
Money market fund	NR	\$123,186	\$123,186
External investment pool - 4M Fund	NR	13,676,812	13,676,812
Total investments		<u>\$13,799,998</u>	<u>\$13,799,998</u>

NR = Not Rated

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and investments	\$13,676,812
Cash and investments with escrow	123,186
Total	<u>\$13,799,998</u>

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	12/31/2017
Investments not categorized:	
External investment pool - 4M Fund	\$ 13,676,812
Money Market Fund	123,186
Total	<u>\$13,799,998</u>

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 value (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.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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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 receivable balances not expected to be collected within one year of December 31, 2017 are as follows:

	Major Funds	
	General	Capital Projects CIB
		Total
Delinquent property taxes	\$31,100	\$32,700
		\$63,800

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows 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	Stormwater Impact Payment
General Fund	\$35,445	\$134,720
General Obligation Bonds	2,443	-
Certificates of Participation	2,230	-
Capital Projects CIB	37,265	-
Total unavailable revenue	\$77,383	\$134,720

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 2017. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The District's contributions to the GERF for the year ended December 31, 2017, were \$60,595. The District's contributions were equal to the required contributions as set by state statute.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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D. PENSION COSTS

GERF Pension Costs

At December 31, 2017, the District reported a liability of \$797,992 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$10,038. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was .0125% which was an increase of .0005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the District recognized pension expense of \$87,174 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$290 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, 2017, 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	\$26,299	\$51,553
Changes in actuarial assumptions	132,484	79,999
Difference between projected and actual investment earnings	5,563	-
Changes in proportion	21,908	55,146
Contributions paid to PERA subsequent to the measurement date	31,187	-
Total	<u>\$217,441</u>	<u>\$186,698</u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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\$31,187 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, 2018. 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
2018	\$2,739
2019	38,501
2020	(7,810)
2021	(33,874)
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017, 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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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 GERS 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 GERS net pension liability	\$1,237,745	\$797,992	\$437,974

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.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
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Note 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$421,581	\$ -	\$ -	\$421,581
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	136,223	-	(5,292)	130,931
Vehicles	78,981	-	-	78,981
Infrastructure	20,085,279	-	-	20,085,279
Total capital assets, being depreciated	22,529,395	0	(5,292)	22,524,103
Less accumulated depreciation for:				
Building	575,881	53,171	-	629,052
Furniture and fixtures	102,063	-	-	102,063
Equipment	122,039	3,152	(5,292)	119,899
Vehicles	42,722	8,317	-	51,039
Infrastructure	8,804,657	375,875	-	9,180,532
Total accumulated depreciation	9,647,362	440,515	(5,292)	10,082,585
Total capital assets being depreciated - net	12,882,033	(440,515)	-	12,441,518
Governmental activities capital assets - net	\$13,303,614	(\$440,515)	\$0	\$12,863,099

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

Governmental activities:	
General government	\$61,488
Programs	3,152
Projects	375,875
Total depreciation expense - governmental activities	\$440,515

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 7 LONG-TERM DEBT

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

Year Ending December 31,	Governmental Activities									
	G.O. Bonds of 1998		Certificates of Participator		G.O. Bonds of 2012		G.O. Drainage Bonds		Totals	
	PFA Bond		Series 2012B		PFA Bond		2016A			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$48,692	\$1,223	\$500,000	\$10,270	\$842,000	\$80,496	\$3,860,000	\$661,237	\$5,250,692	\$753,226

The following is a schedule of changes in the District's indebtedness for the year ended December 31, 2017:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17	Due Within One Year
Governmental activities:					
Bonded debt:					
General Obligation Bonds of 1997, PFA Bond	\$37,892	\$ -	(\$37,892)	\$ -	\$ -
General Obligation Bonds of 1998, PFA Bond	95,798	-	(47,106)	48,692	48,692
General Obligation Bonds of 2012, PFA Bond	919,000	-	(77,000)	842,000	78,000
Certificates of Participation, Series 2012B	685,000	-	(185,000)	500,000	190,000
General Obligation Drainage Bonds of 2016A	3,860,000	-	-	3,860,000	205,000
Unamortized bond premiums	79,349	-	(5,261)	74,088	-
Compensated absences	86,994	103,829	(104,757)	86,066	76,936
Total governmental activities	\$5,764,033	\$103,829	(\$457,016)	\$5,410,846	\$598,628

For the governmental activities, compensated absences are generally liquidated by the General Fund. All long-term bonded indebtedness outstanding at December 31, 2017 is backed by the full faith and credit of the District.

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.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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.

\$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.

PLEDGED REVENUE

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
1998 G.O./PFA Bond	Old Beltline Interceptor Repair	Property Taxes	100%	1998 - 2018	\$49,915	\$49,916	\$38,694
2016A Bond	Beltline and Battle Creek Tunnel Repair	Property Taxes	100%	2016 - 2031	\$4,521,237	\$59,697	\$57,077

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, 2017, the District had committed contracts of \$1,500,488 for construction/repair projects.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 10 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Capital Projects CIB</u>	<u>Total</u>
Nonspendable:					
Prepaid items	\$11,507	\$245,431	\$193,274	\$ -	\$450,212
Restricted for:					
Debt service	-	114,147	-	-	114,147
Committed to:					
Construction/projects	-	-	-	1,676,114	1,676,114
Assigned to:					
Construction/projects	-	-	-	6,535,773	6,535,773
Unassigned	<u>4,318,398</u>	<u>-</u>	<u>(59,637)</u>	<u>-</u>	<u>4,258,761</u>
Total	<u>\$4,329,905</u>	<u>\$359,578</u>	<u>\$133,637</u>	<u>\$8,211,887</u>	<u>\$13,035,007</u>

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, 2017, the unassigned fund balance of the General Fund was 108.60% of the subsequent year’s budgeted expenditures.

Note 11 INTERFUND ACTIVITY

Individual fund interfund receivable and payable balances at December 31, 2017 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$185,075	\$ -
General Obligation Bonds	-	185,075
Total	<u>\$185,075</u>	<u>\$185,075</u>

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Individual interfund transfers for the year ended December 31, 2017 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Obligation Bonds	\$245,431	\$ -
Capital Projects - Contingency	210,980	-
Capital Projects - Casey Lake	-	210,980
Capital Projects - Contingency	-	245,431
Total	<u>\$456,411</u>	<u>\$456,411</u>

The interfund transfers were made to provide funding for debt service transactions and to close out completed projects to the contingency account.

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. 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. 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.

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Statement No. 86 *Certain Debt Extinguishment Issues*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87 *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended December 31, 2017

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

Statement 6
Page 1 of 2

	2017				
	Budgeted Amounts		Actual	Variance with	2016
	Original	Final	Amounts	Final Budget - Positive (Negative)	Actual Amounts
Revenues:					
General property taxes:					
Current and delinquent	\$3,121,500	\$3,121,500	\$3,111,543	(\$9,957)	\$2,625,530
Intergovernmental:					
Market value homestead credit	-	-	29	29	178
Grants	13,000	13,000	26,147	13,147	122,439
Total intergovernmental	13,000	13,000	26,176	13,176	122,617
Stormwater impact payment	-	-	33,680	33,680	125,400
Investment income	20,000	20,000	54,639	34,639	8,452
Permit escrow fees	15,000	15,000	10,040	(4,960)	12,960
Refunds and reimbursements	-	-	20,786	20,786	46,091
Other	-	-	8,960	8,960	7,788
Total revenues	3,169,500	3,169,500	3,265,824	96,324	2,948,838
Expenditures:					
General government:					
Engineering:					
Administration	89,000	89,000	67,402	21,598	93,369
Permit review	50,000	50,000	41,721	8,279	49,965
Engineer review	65,000	65,000	54,286	10,714	42,974
Subtotal engineering	204,000	204,000	163,409	40,591	186,308
Consulting	40,000	40,000	32,560	7,440	57,629
District training	25,000	25,000	15,187	9,813	22,184
Dues	9,000	9,000	6,735	2,265	7,671
Employee expenses	10,000	10,000	9,401	599	6,166
Insurance	35,000	35,000	30,542	4,458	29,044
Legal and audit	100,000	100,000	81,933	18,067	81,429
Manager's per diem and expenses	10,000	10,000	5,035	4,965	7,658
Miscellaneous	10,000	10,000	1,664	8,336	40
Office equipment and maintenance	60,000	60,000	40,061	19,939	35,502
Office supplies and postage	10,000	10,000	8,178	1,822	6,717
Printing	10,000	10,000	6,487	3,513	5,964
Salaries/payroll taxes/benefits	1,250,000	1,250,000	1,125,240	124,760	1,048,541
Telephone	10,000	10,000	4,415	5,585	4,282
Utilities	23,000	23,000	10,838	12,162	6,438
Vehicle lease and maintenance	65,000	65,000	32,284	32,716	45,049
Water quality monitoring	133,000	133,000	138,591	(5,591)	64,715
GIS system maintenance and equipment	35,000	35,000	8,464	26,536	17,960
Internet/website	55,000	55,000	31,651	23,349	29,571
Project operations	140,000	140,000	122,921	17,079	146,342
Committee expenditures	3,500	3,500	3,919	(419)	2,652
Total general government	2,237,500	2,237,500	1,879,515	357,985	1,811,862

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended December 31, 2017

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

Statement 6**Page 2 of 2**

	2017				
	Budgeted Amounts		Actual	Variance with	2016
	Original	Final	Amounts	Final Budget - Positive (Negative)	Actual Amounts
Watershed programs:					
Project feasibility studies	\$300,000	\$300,000	\$89,525	\$210,475	\$185,410
Watershed management plan update	20,000	20,000	20,357	(357)	104,746
Education programming	60,000	60,000	41,247	18,753	51,178
Natural resources program	90,000	90,000	119,977	(29,977)	57,352
Research projects	235,000	235,000	111,177	123,823	82,039
Waterfest	40,000	40,000	40,080	(80)	36,445
NPDES Phase II	20,000	20,000	4,851	15,149	14,627
Health and safety program	2,000	2,000	1,965	35	2,187
Lake Studies/WRAPS/TMDL	125,000	125,000	4,134	120,866	44,663
Outside programs	110,000	110,000	43,653	66,347	38,954
Total watershed programs	1,002,000	1,002,000	476,966	525,034	617,601
Total expenditures	3,239,500	3,239,500	2,356,481	883,019	2,429,463
Revenues over (under) expenditures	<u>(\$70,000)</u>	<u>(\$70,000)</u>	909,343	<u>\$979,343</u>	519,375
Fund balance - January 1			<u>3,420,562</u>		<u>2,901,187</u>
Fund balance - December 31			<u>\$4,329,905</u>		<u>\$3,420,562</u>

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, 2017

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	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
2015	2015	0.0132%	\$684,093	\$ -	\$684,093	\$773,820	88.4%	78.2%
2016	2016	0.0120%	974,340	12,771	987,111	747,482	132.1%	68.9%
2017	2017	0.0125%	797,992	10,038	808,030	805,604	100.3%	75.9%

* 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, 2017

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$57,121	\$57,121	\$ -	\$761,606	7.5%
December 31, 2016	57,310	57,310	-	764,138	7.5%
December 31, 2017	60,595	60,595	-	807,938	7.5%

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

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2017

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

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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.

INDIVIDUAL FUND FINANCIAL STATEMENTS

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
 December 31, 2017
 With Comparative Totals For December 31, 2016

Statement 9

Assets	2017	2016
Cash and investments	\$5,044,853	\$4,135,419
Accounts receivable	732	261
Due from other governmental units	138,405	14,640
Due from other funds	185,075	181,308
Taxes receivable:		
Delinquent	35,445	36,097
Due from county	36,074	39,208
Prepaid items	11,507	4,589
Total assets	<u>\$5,452,091</u>	<u>\$4,411,522</u>
Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	\$21,095	\$55,000
Accrued expenses	13,581	11,710
Due to other governmental units	7,470	13,068
Escrow deposits payable	909,875	875,085
Total liabilities	<u>952,021</u>	<u>954,863</u>
Deferred inflows of resources:		
Unavailable revenue	<u>170,165</u>	<u>36,097</u>
Fund balance:		
Nonspendable	11,507	4,589
Unassigned	4,318,398	3,415,973
Total fund balance	<u>4,329,905</u>	<u>3,420,562</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$5,452,091</u>	<u>\$4,411,522</u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2017
With Comparative Totals For The Year Ended December 31, 2016

Statement 10

	<u>2017</u>	<u>2016</u>
Revenues:		
General property taxes:		
Current and delinquent	<u>\$3,111,543</u>	<u>\$2,625,530</u>
Intergovernmental:		
Market value credit	29	178
Grants	<u>26,147</u>	<u>122,439</u>
Total intergovernmental	<u>26,176</u>	<u>122,617</u>
Stormwater impact payment	33,680	125,400
Investment income	54,639	8,452
Permit escrow fees	10,040	12,960
Refunds and reimbursements	20,786	46,091
Other	<u>8,960</u>	<u>7,788</u>
Total revenues	<u>3,265,824</u>	<u>2,948,838</u>
Expenditures:		
Current:		
General government	1,879,515	1,772,270
Programs	476,966	617,601
Capital outlay	-	39,592
Total expenditures	<u>2,356,481</u>	<u>2,429,463</u>
Revenues over (under) expenditures	909,343	519,375
Fund balance - January 1	<u>3,420,562</u>	<u>2,901,187</u>
Fund balance - December 31	<u><u>\$4,329,905</u></u>	<u><u>\$3,420,562</u></u>

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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, 2017

With Comparative Totals For The Year Ended December 31, 2016

Expenditures:	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB Fund	Totals	
					2017	2016
Current:						
General government:						
Engineering	\$163,409	\$ -	\$ -	\$ -	\$163,409	\$186,308
Consulting services	32,560	-	-	-	32,560	57,629
District training	15,187	-	-	-	15,187	22,184
Dues	6,735	-	-	-	6,735	7,671
Employee expenses	9,401	-	-	-	9,401	6,166
Insurance	30,542	-	-	-	30,542	29,044
Legal and audit	81,933	-	-	-	81,933	81,429
Manager's per diem and expenses	5,035	-	-	-	5,035	7,658
Miscellaneous	1,664	-	-	-	1,664	40
Office equipment and maintenance	40,061	-	-	-	40,061	35,502
Office supplies and postage	8,178	-	-	-	8,178	6,717
Printing	6,487	-	-	-	6,487	5,964
Salaries/payroll taxes/benefits	1,125,240	-	-	-	1,125,240	1,048,541
Telephone	4,415	-	-	-	4,415	4,282
Utilities	10,838	-	-	-	10,838	6,438
Vehicle lease and maintenance	32,284	-	-	-	32,284	5,457
Water quality monitoring	138,591	-	-	-	138,591	64,715
GIS system and maintenance	8,464	-	-	-	8,464	17,960
Internet/webset	31,651	-	-	-	31,651	29,571
Project operations	122,921	-	-	-	122,921	146,342
Committee expenditures	3,919	-	-	-	3,919	2,652
Total general government	1,879,515	0	0	0	1,879,515	1,772,270
Programs	476,966	-	-	-	476,966	617,601
Total current	2,356,481	0	0	0	2,356,481	2,389,871
Capital outlay	-	-	-	-	-	39,592
Construction/projects	-	-	-	4,517,633	4,517,633	1,934,568
Debt service	-	181,475	194,864	59,697	436,036	458,889
Total expenditures	<u>\$2,356,481</u>	<u>\$181,475</u>	<u>\$194,864</u>	<u>\$4,577,330</u>	<u>\$7,310,150</u>	<u>\$4,822,920</u>

OTHER INFORMATION - UNAUDITED

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

Exhibit 1

	2017/18		2016/17		2015/16		2014/15	
	Tax Capacity		Tax Capacity		Tax Capacity		Tax Capacity	
	Values		Values		Values		Values	
Taxable valuations:								
Washington County	\$35,953,519		\$33,577,746		\$31,911,162		\$31,225,626	
Ramsey County	142,027,646		131,503,926		123,130,134		120,010,031	
Total	<u>\$177,981,165</u>		<u>\$165,081,672</u>		<u>\$155,041,296</u>		<u>\$151,235,657</u>	
Tax levies extended:								
Extended in year	2017		2016		2015		2014	
Collectible in year	2018		2017		2016		2015	
	Tax		Tax		Tax		Tax	
	Capacity		Capacity		Capacity		Capacity	
	Rate		Rate		Rate		Rate	
	Levy		Levy		Levy		Levy	
General Fund	\$2,562,550	1.453	\$3,121,500	1.934	\$2,653,500	1.773	\$2,844,500	1.955
Debt levy	448,951	.255	238,977	.148	180,746	.121	181,000	.124
CIB Fund	3,859,885	2.189	3,205,383	1.985	3,839,885	2.566	3,513,200	2.415
Total	<u>\$6,871,386</u>	<u>3.897</u>	<u>\$6,565,860</u>	<u>4.067</u>	<u>\$6,674,131</u>	<u>4.460</u>	<u>\$6,538,700</u>	<u>4.494</u>

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

Project	CIB Year	Expenditures			Revenue
		Prior Years	2017	Total	Prior Years Revenue
Completed projects:					
Subtotal - completed projects	1987-2007	\$20,062,112	\$ -	\$20,062,112	\$20,102,495
Projects recently closed:					
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
527 - Casey Lake Watershed Infiltration Project	2013	242,731	-	242,731	453,711
Current CIB projects:					
516 - Project Maintenance and Repair	1992-2015	8,972,934	615,202	9,588,136	9,437,932
529 - BMP Incentive Grant Program	2007-2015	2,742,275	616,602	3,358,877	3,715,918
528 - Faith Based Volume Reduction	2013	414,527	7,850	422,377	150,000
531 - Volume Reduction Opportunity Fund	2014	-	-	-	1,484,215
518 - School/Commercial Site Retrofit	2015	582,498	296,383	878,881	944,572
520 - Flood Damage	2015	20	509,879	509,899	841,168
519 - District Office Retrofit	2015	2,022	16,996	19,018	148,641
549 - Beltline/Battle Creek	2016	209,577	2,114,013	2,323,590	4,731,574
550 - Frost/Kennard Project	2016	91,186	13,592	104,778	138,657
551 - Markham Pond Project	2016	74,427	386,813	461,240	277,049
553 - Wakefield Project	2017	-	-	-	-
Subtotal		23,084,179	4,577,330	27,661,509	32,075,419
580 - CIB contingency account		266,879	-	266,879	709,728

2017 CIB Levy	Investment Income	Bond Issuance	Revenue			Total Revenue	Revenue Over/(Under) Expenditures
			Transfers/ Reallocation	Project Closeout	Grant/Project Reimbursement		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$20,102,495	\$40,383
-	-	-	-	-	-	39,071	-
-	-	-	-	-	-	487,670	-
-	-	-	-	-	-	672,496	-
-	-	-	-	-	-	1,048,092	-
-	-	-	-	-	-	7,222,238	-
-	-	-	-	-	-	282,415	-
-	-	-	(210,980)	-	-	242,731	-
697,767	-	-	-	-	67,478	10,203,177	615,041
199,362	-	-	-	-	3,000	3,918,280	559,403
199,362	-	-	-	-	75,000	424,362	1,985
-	-	-	-	-	-	1,484,215	1,484,215
697,767	-	-	-	-	73,531	1,715,870	836,989
787,480	-	-	-	-	-	1,628,648	1,118,749
-	-	-	-	-	-	148,641	129,623
-	-	-	-	-	-	4,731,574	2,407,984
74,761	-	-	-	-	10,873	224,291	119,513
49,841	-	-	-	-	244,761	571,651	110,411
351,874	-	-	-	-	-	351,874	351,874
3,058,214	0	0	(210,980)	0	474,643	35,397,296	7,735,787
-	27,319	-	(34,451)	-	-	702,596	435,717
Fund balance - December 31, 2017							<u>\$8,211,887</u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
COMBINED SCHEDULE OF INDEBTEDNESS - UNAUDITED
December 31, 2017

	<u>Dated</u>	<u>Final Due Date</u>	<u>Net Interest Rate</u>
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			

Authorized and Issued	Retired	Outstanding 12/31/17	Due in 2018	
			Principal	Interest
\$540,835	\$540,835	\$ -	\$ -	\$ -
711,431	662,739	48,692	48,692	1,223
1,177,217	335,217	842,000	78,000	14,272
1,230,000	730,000	500,000	190,000	5,923
3,860,000	-	3,860,000	205,000	78,812
<u>7,519,483</u>	<u>2,268,791</u>	<u>5,250,692</u>	<u>521,692</u>	<u>100,230</u>
		74,088	-	-
		<u>86,066</u>	<u>76,936</u>	<u>-</u>
<u>\$7,519,483</u>	<u>\$2,268,791</u>	<u>\$5,410,846</u>	<u>\$598,628</u>	<u>\$100,230</u>

RAMSEY-WASHINGTON METRO WATERSHED DISTRICT
DEFERRED TAX LEVIES - PER BOARD RESOLUTIONS - UNAUDITED
December 31, 2017

Exhibit 4

<u>Year of Levy/ Collection</u>	<u>G.O. Bonds of 1998</u>	<u>G.O. Drainage Bonds of 2016A</u>	<u>Total</u>
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	<u>\$49,915</u>	<u>\$4,489,595</u>	<u>\$4,539,510</u>

OTHER REQUIRED REPORTS

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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, 2017, 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 19, 2018

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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, 2017, 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 19, 2018.

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 19, 2018

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