



April 7, 2020

Ms. Tina Carstens, Administrator  
Ramsey-Washington Metro Watershed District  
2665 Noel Drive  
Little Canada, MN 55117

Dear Tina:

Enclosed is an electronic copy of the Annual Financial Report and the Audit Management Letter for the Ramsey-Washington Metro Watershed District for the year ended December 31, 2019. The State of Minnesota Legal Compliance Report and the Internal Control Letter are included in the Annual Financial Report.

Additional copies have been sent to the State Auditor's Office and to the Board of Water and Soil Resources (via email) to fulfill the reporting requirements of the District. Electronic versions of each report have also been sent to you via email.

Electronic versions of each workpaper we prepared or assisted preparing, as listed below, were emailed to you on April 6, 2020:

- Government-wide workpaper and GASB 34 entries
- Grouping reports, closing journal entries and reclassifying journal entries
- Accrued interest calculation
- Net position lead and fund balance classifications
- GASB 40 Investment footnote

In addition, we provided the GASB 68 (pension) workpapers to you during the meeting on March 5, 2020.

Thank you for the opportunity to be of service. If you or the Board would like to discuss any topics in the Management Letter or the Annual Financial Report, we are available at your convenience.

Sincerely,

REDPATH AND COMPANY, LTD.

A handwritten signature in black ink that reads "Andy Hering".

Andy Hering, CPA

AH/bab

**RAMSEY-WASHINGTON METRO  
WATERSHED DISTRICT**

**AUDIT MANAGEMENT LETTER**

December 31, 2019

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

We have completed our audit of the Ramsey-Washington Metro Watershed District (the District) for the year ended December 31, 2019, and have issued our report thereon. In conjunction with that audit, we present this management letter on matters relating to the financial operations of the District. We offer this report as an additional analytical perspective for the Board of Managers in monitoring the financial position and operations of the accounts and funds of the District. This report also contains required communications to those charged with governance.

Several reports are issued in conjunction with the audit. A summary is as follows:

- Opinion on Financial Statements – Unmodified (clean) opinion
- Report on Internal Control – No internal control findings
- Minnesota Legal Compliance Report – No compliance findings

Thank you for the opportunity to serve the District. We are available to discuss this report with you.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.

St. Paul, Minnesota

April 7, 2020

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# Ramsey-Washington Metro Watershed District

## Audit Management Letter

### Cash and Investments

Cash and investment balances at December 31, 2019 and 2018 were as follows:

Fund	December 31,		Increase (Decrease)
	2019	2018	
General	\$5,838,073	\$5,257,503	\$580,570
Debt Service Funds:			
General Obligation Bonds	976,693	107,825	868,868
Certificates of Participation	123,186	123,186	-
Capital Project Funds:			
Capital Projects CIB	7,631,880	8,225,040	(593,160)
Total	<u>\$14,569,832</u>	<u>\$13,713,554</u>	<u>\$856,278</u>

Investment income totaled \$268,427 for the year ended December 31, 2019 as compared to \$201,240 for the year ended December 31, 2018.

### Taxes Receivable

Taxes receivable at December 31, 2019 and 2018 consisted of the following:

	December 31,		Increase (Decrease)
	2019	2018	
Delinquent	\$120,160	\$84,232	\$35,928
Due from County	84,880	94,550	(9,670)
Total	<u>\$205,040</u>	<u>\$178,782</u>	<u>\$26,258</u>

## Ramsey-Washington Metro Watershed District

### Audit Management Letter

Delinquent taxes receivable at December 31, 2019 represent the balance of unpaid property taxes levied for collection in 2010 through 2019. The uncollected portion of property taxes has been classified as unavailable revenue and is not part of the fund balance at the end of the current fiscal year. Accounting standards related to revenue recognition for governments require revenue to be both measurable and available.

Due from County consists of current and delinquent taxes collected by the County but not remitted to the District as of December 31, 2019. These amounts were remitted to the District in January 2020.

The District's overall property tax collection rate was 98.5% for the year ended December 31, 2019. The following table details the District's 2019 levy and collections:

	Ramsey & Washington Counties
Total levy (pay 2019)	<u>\$6,763,498</u>
<u>2019 collections:</u>	
July 2019 collections	\$3,554,260
December 2019 collections	3,026,366
January 2020 collections	<u>83,870</u>
Total collections - 2019	<u>\$6,664,496</u>
Collection percentage - current and delinquent	<u>98.5%</u>

# Ramsey-Washington Metro Watershed District

## Audit Management Letter

### Fund Balances

Fund balances represent net current assets of each fund (i.e., cash plus receivables minus liabilities).

The District's funds are all governmental type funds. Governmental type funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

The fund balances of the District were as follows at December 31, 2019 and 2018:

Fund	December 31,		Increase (Decrease)
	2019	2018	
General	\$4,633,167	\$4,464,553	\$168,614
Debt Service Funds:			
General Obligation Bonds	1,252,348	381,949	870,399
Certificates of Participation	130,460	131,513	(1,053)
Capital Project Funds:			
Capital Projects CIB	7,029,812	8,324,531	(1,294,719)
Total	<u>\$13,045,787</u>	<u>\$13,302,546</u>	<u>(\$256,759)</u>

During 2019, the District transferred \$863,674 from the Capital Projects CIB fund to the General Obligation Bonds fund. This amount represents unspent bond proceeds and other funds restricted for the Beltline and Battle Creek Tunnel Repair project which was completed in 2018.



# Ramsey-Washington Metro Watershed District

## Audit Management Letter

### General Fund

The fund balance of the General Fund increased by \$168,614 during the year. Statement 6 of the Annual Financial Report details the General Fund budget versus actual operating results. A summary is presented below:

Budgeted change in fund balance		(\$1,400,000)
Actual revenue over (under) budgeted revenue:		
Property taxes	(\$33,256)	
Intergovernmental	(23,140)	
Investment income	87,747	
Permit escrow fees	180	
Stormwater impact payment	344,782	
Refunds, reimbursements and other	47,695	
		<u>424,008</u>
Actual expenditures (over) under budget:		
Engineering	50,284	
Salaries/payroll taxes/benefits	30,374	
Watershed programs	567,286	
All other - net	496,662	
		<u>1,144,606</u>
Net change in fund balance		<u><u>\$168,614</u></u>

The significant expenditure budget variance for watershed programs is primarily the result of the project feasibility studies and lake studies/WRAPS/TMDL's. The significant expenditure budget variance for all other – net is primarily the result of office equipment and maintenance, water quality monitoring, and project operations expenditures being significantly under budget.

# Ramsey-Washington Metro Watershed District

## Audit Management Letter

### **Intergovernmental Revenue**

Intergovernmental grants and aids, and cost sharing agreement revenue (in all funds) in 2019 includes the following:

MN DNR Flood Hazard Mitigation grant	\$48,723
MN PCA Markham Pond grant	4,791
Met Council WOMP grants	5,835
Other	2,302
Total intergovernmental revenue	<u>\$61,651</u>

### **Stormwater Impact Payments**

Stormwater impact payment revenue totaled \$344,782 for the year ended December 31, 2019 as compared to \$38,660 for the year ended December 31, 2018. The majority of the increase is due to a \$231,300 alternative compliance payment received from the City of Woodbury related to its Upper Afton Road project.

### **Pension Liability**

In 2015, the District implemented GASB Statement No. 68, which required the reporting of the District's proportionate share of the PERA Net Pension Liability (NPL). During 2019, the District's share of PERA's NPL increased by \$3,139 to \$707,683. During 2019, the District paid its required contribution of \$68,723 to the Plan. The required contribution is a percentage of eligible wages.

**103.B Levy Authority**

Beginning with the 1998 tax levy, the District levied under Minnesota Statutes 103B.241 authority. As such, the District's General Fund is not limited by the \$250,000 tax levy authorized in Minnesota Statutes 103.D. The District no longer employs the Special Revenue Funds to account for maintenance and projects and instead levies for all non-CIB Fund projects out of the General Fund. 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.*

In 1998, the District closed the Survey and Data Acquisition, Water Management Planning and Water Maintenance and Repair Special Revenue Funds and accounts for all non-CIB projects in the General Fund budget process.

# Ramsey-Washington Metro Watershed District

## Audit Management Letter

The fund balance of the General Fund for the past ten years has been as follows:

<u>Year Ended December 31</u>	<u>Amount</u>	<u>Increase (Decrease)</u>
2010	\$1,979,029	\$50,813
2011	2,493,960	514,931
2012 *	1,363,334	(1,130,626)
2013	1,725,348	362,014
2014	2,211,684	486,336
2015	2,901,187	689,503
2016	3,420,562	519,375
2017	4,329,905	909,343
2018	4,464,553	134,648
2019	4,633,167	168,614

\* Restated for prior period adjustment

In 1998, the District began levying for and expending all non-CIB Fund projects out of the General Fund. The District now sets the General Fund tax levy and budgeted expenditures at a level consistent with the District's reserve balance policy. In 2019, the District's final budget reflected a decrease of \$1,400,000 in General Fund reserves. Actual reserves increased by \$168,614 as detailed previously.

The District budget includes a higher level of program activity in the General Fund, and as such requires a levy. Schedules and completion of projects is variable and often results in carryover fund balances and unspent levy amounts. These program funds are generally spent in the following budget year if not spent in the current budget year. Excess budget balances are considered in the following year levy/budget process to reduce ensuing year tax levies by spending down available fund balances. Past management reports have discussed the purposes and benefits of maintaining adequate cash flow reserve balances. A summary of these purposes and benefits is as follows:

1. Cash flow reserve. The District receives revenue from property taxes primarily in December and July. The District, however, incurs expenditures throughout the entire twelve month operating period. Timing differences in the receipt of property taxes should be compensated for with adequate operating reserves. The District targets 50% of the ensuing year's expenditure budget as end of year minimum unassigned fund balance. The unassigned balance at December 31, 2019 was \$4,598,342 or 115% of the ensuing year's expenditure budget.
2. Emergency and/or unanticipated expenditures. Operating budgets are estimates only. The District requires a surplus to finance unforeseen events. One method of measuring the amount of this type of surplus is to use a percent of the District's annual operating budget (i.e., 10% to 15% or more, depending upon the budget philosophy of the District).
3. Preliminary project funding. Feasibility studies of potential projects require financing. The District does receive such preliminary funding for certain projects. Other minor projects may be more efficiently funded through available reserves.

# Ramsey-Washington Metro Watershed District

## Audit Management Letter

### CIB Authority

This fund was established to account for the Capital Improvement Budget (CIB) process of the District. A summary of financial activity of this fund from inception is presented in Exhibit 2 of the Annual Financial Report.

Beginning in 1993 with the removal of levy limits and under authorities provided by State Statute Section 103B.241, the District is authorized to levy ad valorem taxes for the purposes of financing the CIB projects. The District has levied the following amounts for the CIB projects over the past ten years:

Collectible Year	CIB Levy Certified
2010	\$1,150,481
2011	859,379
2012	1,584,379
2013	2,268,479
2014	2,945,481
2015	3,513,200
2016	3,839,885
2017	3,205,383
2018	3,859,885
2019	3,754,885

These levies have financed the CIB projects detailed in Exhibit 2 of the Annual Financial Report. A summary of the District's ad valorem tax levies is presented in Exhibit 1 of the Annual Financial Report. Additionally, a breakdown of the District's CIB Fund levy by project is presented in Exhibit 2 of the Annual Financial Report.

**Long-Term Debt**

The District entered into three separate G.O. Bond/loan agreements in 2012 and 2016 that remain outstanding as follows:

- G.O. Bonds of 2012 – Public Facilities Authority (PFA)
- Certificates of Participation, Series 2012B
- G.O. Drainage Bonds of 2016A

The schedule of indebtedness and deferred tax levies associated are presented in Exhibits 3 and 4 of the Annual Financial Report.

The District has a Debt Service Fund to account for activity associated with the \$1,177,217 G.O. Bonds of 2012 and the \$3,860,000 G.O. Drainage Bonds of 2016A. Fund balance increased from \$381,949 at December 31, 2018 to \$1,252,348 at December 31, 2019. As previously mentioned, the primary reason for the increase was due to a transfer of \$863,674 from the Capital Projects CIB fund.

The District established a Debt Service Fund for the \$2,440,000 Certificates of Participation during 2005 (called for early redemption during 2013), which now includes the Refunding Certificates of Participation, 2012B. As of February 1, 2020, these certificates fully matured and the amount held in escrow was returned to the District.

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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

We have audited the financial statements of the governmental activities and each major fund of the Ramsey-Washington Metro Watershed District (the District) for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Governmental Activities financial statements are management's estimates of the net pension liability, the pension related deferred outflows and inflows of resources and pension expense. Management's estimates relating to the net



pension liability, pension related deferred outflows and inflows of resources and pension expense are based on actuarial studies. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosures most likely to be considered sensitive are Note 5 – Defined Benefit Pension Plans and Note 14 – Subsequent Events and Uncertainties.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. There were no corrected misstatements identified during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 7, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the budgetary comparison schedule and pension information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and other information sections, which accompany the financial statements but are not RSI. Such information has 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 it.

**Other Reports**

Various reports on compliance and internal controls are contained in the Other Required Reports section of the audited financial statements document.

**Restriction on Use**

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

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**RAMSEY-WASHINGTON METRO  
WATERSHED DISTRICT**

**ANNUAL FINANCIAL REPORT**

December 31, 2019

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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, 2019

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	<u>Term Expires</u>
Managers:	
Marj Ebensteiner - President	February 23, 2021
Clifton Aichinger - Vice President	February 23, 2022
Pamela Skinner - Secretary	February 23, 2021
Dianne Ward - Treasurer	February 23, 2023
Larry Swope - Manager	February 23, 2023
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, 2019, 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 the Ramsey-Washington Metro Watershed District, as of December 31, 2019, 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 the Ramsey-Washington Metro Watershed District's 2018 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, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 Schedule, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Pension Contributions, as listed in the table of contents, 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, and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements 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 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 7, 2020

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## **BASIC FINANCIAL STATEMENTS**

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT****STATEMENT OF NET POSITION****Statement 1**

December 31, 2019

With Comparative Totals For December 31, 2018

	Primary Government	
	Governmental Activities	
	2019	2018
Assets:		
Cash and investments	\$14,446,646	\$13,590,368
Cash and investments with escrow	123,186	123,186
Due from other governmental units	219,856	291,522
Property taxes receivable:		
Delinquent	120,160	84,232
Due from county	84,880	94,550
Prepaid items	426,264	473,671
Capital assets - net of accumulated depreciation:		
Depreciable	11,768,454	12,160,042
Nondepreciable	421,581	421,581
Total assets	<u>27,611,027</u>	<u>27,239,152</u>
Deferred outflows of resources related to pensions	<u>72,003</u>	<u>143,070</u>
Liabilities:		
Accounts payable	47,475	66,058
Salaries payable	21,209	16,147
Due to other governmental units	689,290	31,865
Escrow deposits payable	1,375,739	974,665
Retainage payable	10,677	17,553
Unearned revenue	43,295	63,423
Accrued interest payable	35,106	38,657
Compensated absences payable:		
Due within one year	96,798	81,756
Due in more than one year	2,765	6,912
Unamortized bond premium	63,566	68,827
Bonds payable:		
Due within one year	436,000	499,000
Due in more than one year	3,794,000	4,230,000
Net pension liability:		
Due in more than one year	707,683	704,544
Total liabilities	<u>7,323,603</u>	<u>6,799,407</u>
Deferred inflows of resources related to pensions	<u>126,936</u>	<u>186,499</u>
Net position:		
Net investment in capital assets	11,385,035	11,507,623
Restricted for debt service	129,685	130,300
Unrestricted	8,717,771	8,758,393
Total net position	<u>\$20,232,491</u>	<u>\$20,396,316</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, 2019

With Comparative Totals For The Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Totals	Totals
					2019	2018
Primary government:						
Governmental activities:						
General government	\$2,301,519	\$326,282	\$1,648	\$ -	(\$1,973,589)	(\$1,939,938)
Programs	720,315	-	90,813	-	(629,502)	(595,366)
Projects	4,752,444	-	279,295	-	(4,473,149)	(3,957,102)
Interest on long-term debt	82,985	-	-	-	(82,985)	(121,832)
Total governmental activities	<u>\$7,857,263</u>	<u>\$326,282</u>	<u>\$371,756</u>	<u>\$0</u>	<u>(7,159,225)</u>	<u>(6,614,238)</u>
General revenues:						
Property taxes					6,713,231	6,877,366
Unrestricted investment earnings					268,427	201,240
Miscellaneous other					13,742	13,620
Total general revenues					<u>6,995,400</u>	<u>7,092,226</u>
Change in net position					(163,825)	477,988
Net position - January 1					<u>20,396,316</u>	<u>19,918,328</u>
Net position - December 31					<u>\$20,232,491</u>	<u>\$20,396,316</u>

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

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**
**BALANCE SHEET**
**Statement 3**
**GOVERNMENTAL FUNDS**

December 31, 2019

With Comparative Totals For December 31, 2018

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total Governmental Funds	
					2019	2018
<b>Assets:</b>						
Cash and investments	\$5,838,073	\$976,693	\$ -	\$7,631,880	\$14,446,646	\$13,590,368
Cash and investments with escrow	-	-	123,186	-	123,186	123,186
Due from other governmental units	120,809	-	-	99,047	219,856	291,522
Due from other funds	115,530	-	-	-	115,530	185,709
Property taxes receivable:						
Delinquent	47,333	7,006	3,439	62,382	120,160	84,232
Due from county	32,748	5,009	2,446	44,677	84,880	94,550
Prepaid items	34,825	271,081	120,358	-	426,264	473,671
Total assets	<u>\$6,189,318</u>	<u>\$1,259,789</u>	<u>\$249,429</u>	<u>\$7,837,986</u>	<u>\$15,536,522</u>	<u>\$14,843,238</u>
<b>Liabilities:</b>						
Accounts payable	\$38,730	\$435	\$ -	\$8,310	\$47,475	\$66,058
Salaries payable	21,209	-	-	-	21,209	16,147
Due to other governmental units	5,780	-	-	683,510	689,290	31,865
Due to other funds	-	-	115,530	-	115,530	185,709
Escrow deposits payable	1,375,739	-	-	-	1,375,739	974,665
Retainage payable	-	-	-	10,677	10,677	17,553
Unearned revenue	-	-	-	43,295	43,295	63,423
Total liabilities	<u>1,441,458</u>	<u>435</u>	<u>115,530</u>	<u>745,792</u>	<u>2,303,215</u>	<u>1,355,420</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue	<u>114,693</u>	<u>7,006</u>	<u>3,439</u>	<u>62,382</u>	<u>187,520</u>	<u>185,272</u>
<b>Fund balance:</b>						
Nonspendable	34,825	271,081	120,358	-	426,264	473,671
Restricted	-	981,267	10,102	-	991,369	113,568
Assigned	-	-	-	7,029,812	7,029,812	8,323,531
Unassigned	4,598,342	-	-	-	4,598,342	4,391,776
Total fund balance	<u>4,633,167</u>	<u>1,252,348</u>	<u>130,460</u>	<u>7,029,812</u>	<u>13,045,787</u>	<u>13,302,546</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$6,189,318</u>	<u>\$1,259,789</u>	<u>\$249,429</u>	<u>\$7,837,986</u>	<u>\$15,536,522</u>	<u>\$14,843,238</u>
<b>Fund balance reported above</b>					\$13,045,787	\$13,302,546
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					12,190,035	12,581,623
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.					187,520	185,272
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds.					72,003	143,070
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:						
Bonds payable					(4,230,000)	(4,729,000)
Unamortized bond premium					(63,566)	(68,827)
Accrued interest payable					(35,106)	(38,657)
Compensated absences payable					(99,563)	(88,668)
Net pension liability					(707,683)	(704,544)
Deferred inflows of resources related to pensions are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.					<u>(126,936)</u>	<u>(186,499)</u>
<b>Net position of governmental activities</b>					<u>\$20,232,491</u>	<u>\$20,396,316</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, 2019

With Comparative Totals For The Year Ended December 31, 2018

**Statement 4**

	General Fund	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	Total Governmental Funds	
					2019	2018
Revenues:						
General property taxes	\$2,576,244	\$394,027	\$192,401	\$3,514,631	\$6,677,303	\$6,870,517
Intergovernmental - grants	56,860	-	-	4,791	61,651	350,507
Stormwater impact payment	344,782	-	-	-	344,782	38,660
Investment income	107,747	10,041	-	150,639	268,427	201,240
Permit escrow fees	15,180	-	-	-	15,180	10,500
Refunds and reimbursements	33,953	-	-	274,504	308,457	62,880
Other	13,742	-	-	-	13,742	13,620
Total revenues	3,148,508	404,068	192,401	3,944,565	7,689,542	7,547,924
Expenditures:						
Current:						
General government	2,195,910	-	-	-	2,195,910	1,934,950
Programs	716,715	-	-	-	716,715	634,467
Capital outlay	67,269	-	-	-	67,269	134,693
Construction/projects	-	-	-	4,375,610	4,375,610	3,952,361
Debt service:						
Principal	-	309,000	190,000	-	499,000	521,692
Interest and fiscal agent fees	-	88,343	3,454	-	91,797	102,222
Total expenditures	2,979,894	397,343	193,454	4,375,610	7,946,301	7,280,385
Revenues over (under) expenditures	168,614	6,725	(1,053)	(431,045)	(256,759)	267,539
Other financing sources (uses):						
Transfers in	-	863,674	-	-	863,674	-
Transfers out	-	-	-	(863,674)	(863,674)	-
Total other financing sources (uses)	0	863,674	0	(863,674)	0	0
Net change in fund balance	168,614	870,399	(1,053)	(1,294,719)	(256,759)	267,539
Fund balance - January 1	4,464,553	381,949	131,513	8,324,531	13,302,546	13,035,007
Fund balance - December 31	\$4,633,167	\$1,252,348	\$130,460	\$7,029,812	\$13,045,787	\$13,302,546

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****Statement 5**

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	<u>2019</u>	<u>2018</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)	(\$256,759)	\$267,539
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:		
Depreciation expense	(458,857)	(450,197)
Capital outlay	67,269	134,693
Capitalized current expenditures	-	28,028
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	-	6,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue - delinquent property taxes	35,928	6,849
Change in unavailable revenue - stormwater impact payment	(33,680)	(33,680)
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.		
Repayment of principal of long-term debt	499,000	521,692
Governmental funds report the effects of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.		
Amortization of bond premium	5,261	5,261
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. Changes in these expense accruals are as follows:		
Change in accrued interest payable	3,551	(24,871)
Change in compensated absences payable	(10,895)	(2,602)
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 differed from pension contributions in the current period:		
Pension contributions	68,723	
Pension expense	(83,366)	
	<u>(14,643)</u>	<u>19,276</u>
Change in net position of governmental activities (Statement 2)	<u>(\$163,825)</u>	<u>\$477,988</u>

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

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**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, 2019

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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.

#### **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 investments in external investment pools that meet GASB 79 requirements which are stated at amortized cost. Investment income is accrued at the balance sheet date.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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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 District 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) are classified as due from county. Taxes not collected by the county by December 31 are classified as delinquent taxes receivable. The portion of delinquent taxes not collected by the District in January is 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.*

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**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 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.

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

Buildings	40 years
Furniture Fixtures	5 years
Equipment	5 years
Vehicles	5 years
Infrastructure	50 – 100 years

**J. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position. Material bond premiums and discounts are amortized over the life of the bonds.

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

**K. COMPENSATED ABSENCES**

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

#### **L. FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

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

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

#### **M. INTERFUND TRANSACTIONS**

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The District provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as due from other funds in the advancing fund, and due to other funds in the fund with the deficit, until adequate resources are received.

#### **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, 2018 from which the summarized information was derived.

**Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period and so will *not* be recognized as an outflow of resources (expense) 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 net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods 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 and unavailable stormwater impact fees.

**R. DEFINED BENEFIT PENSION PLANS**

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.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**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, 2019.



**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**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, 2019, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years) Less Than 1
External investment pool - 4M Fund	Not rated	\$14,446,646	\$14,446,646
Money market fund	Not rated	123,186	123,186
Total investments		<u>\$14,569,832</u>	<u>\$14,569,832</u>

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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

Cash and investments	\$14,446,646
Cash and investments with escrow	123,186
Total	<u>\$14,569,832</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	12/31/2019
Investments not categorized:	
External investment pool - 4M Fund	\$ 14,446,646
Money Market Fund	<u>123,186</u>
Total	<u>\$14,569,832</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 its investments at amortized cost in accordance with Government Accounting Standards Board Statement No. 79.

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, 2019 are as follows:

	Major Funds				Total
	General	General Obligation Bonds	Certificates of Participation	Capital Projects CIB	
Delinquent property taxes	<u>\$40,900</u>	<u>\$6,100</u>	<u>\$3,000</u>	<u>\$54,000</u>	<u>\$104,000</u>

**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	Total
General Fund	\$47,333	\$67,360	\$114,693
General Obligation Bonds	7,006	-	7,006
Certificates of Participation	3,439	-	3,439
Capital Projects CIB	<u>62,382</u>	<u>-</u>	<u>62,382</u>
Total unavailable revenue	<u>\$120,160</u>	<u>\$67,360</u>	<u>\$187,520</u>

**Note 5    DEFINED BENEFIT PENSION PLANS**

**A. PLAN DESCRIPTION**

The District participates in the General Employees Retirement Fund, which is a cost-sharing multiple-employer defined benefit pension plan 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.

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**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. 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.

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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**C. CONTRIBUTIONS**

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019; the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERP for the year ended December 31, 2019, were \$68,723. The District's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

At December 31, 2019, the District reported a liability of \$707,683 for its proportionate share of the GERP's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$21,999. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was .0128% which was an increase of .0001% from its proportion measured as of June 30, 2018.

Districts proportionate share of the net pension liability	\$707,683
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>21,999</u>
Total	<u><u>\$729,682</u></u>

For the year ended December 31, 2019, the District recognized pension expense of \$83,366 for its proportionate share of the GERP's pension expense. In addition, the District recognized an additional \$1,648 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
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At December 31, 2019, the District reported its proportionate share of the GERS'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	\$19,649	\$ -
Changes in actuarial assumptions	-	55,730
Net collective difference between projected and actual investment earnings	-	71,206
Changes in proportion	18,203	-
Contributions paid to PERA subsequent to the measurement date	34,151	-
Total	<u>\$72,003</u>	<u>\$126,936</u>

\$34,151 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, 2020. 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
2020	(\$26,995)
2021	(50,728)
2022	(12,500)
2023	1,139
2024	-
Thereafter	-

Pension liabilities are generally liquidated by the General Fund.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 for all plans 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 after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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 Equity	35.5%	5.10%
Private Market	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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 GERP 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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
District's proportionate share of the net pension liability	\$1,163,393	\$707,683	\$331,404

**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](http://www.mnpera.org).



**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**Note 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 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	2,234,955	-	-	2,234,955
Furniture and fixtures	102,063	-	-	102,063
Equipment	125,736	5,374	-	131,110
Vehicles	118,892	14,049	-	132,941
Infrastructure	20,085,279	47,846	-	20,133,125
Total capital assets, being depreciated	22,666,925	67,269	0	22,734,194
Less accumulated depreciation for:				
Building	682,965	55,876	-	738,841
Furniture and fixtures	102,063	-	-	102,063
Equipment	117,856	3,600	-	121,456
Vehicles	47,592	22,547	-	70,139
Infrastructure	9,556,407	376,834	-	9,933,241
Total accumulated depreciation	10,506,883	458,857	0	10,965,740
Total capital assets being depreciated - net	12,160,042	(391,588)	0	11,768,454
Governmental activities capital assets - net	\$12,581,623	(\$391,588)	\$0	\$12,190,035

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

Governmental activities:	
General government	\$78,423
Programs	3,600
Projects	376,834
Total depreciation expense - governmental activities	\$458,857

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**Note 7 LONG-TERM DEBT**

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

Year Ending December 31,	Governmental Activities							
	Certificates of Participation		G.O. Bonds of 2012		G.O. Drainage Bonds		Totals	
	Series 2012B		PFA Bond		2016A			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	\$120,000	\$990	\$685,000	\$53,274	\$3,425,000	\$507,961	\$4,230,000	\$562,225

The following is a schedule of changes in the District's indebtedness for the year ended December 31, 2019:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19	Due Within One Year
Governmental activities:					
Bonded debt:					
General Obligation Bonds of 2012, PFA Bond	\$764,000	\$ -	(\$79,000)	\$685,000	\$81,000
Certificates of Participation, Series 2012B	310,000	-	(190,000)	120,000	120,000
General Obligation Drainage Bonds of 2016A	3,655,000	-	(230,000)	3,425,000	235,000
Unamortized bond premium	68,827	-	(5,261)	63,566	-
Compensated absences	88,668	113,181	(102,286)	99,563	96,798
Total governmental activities	\$4,886,495	\$113,181	(\$606,547)	\$4,393,129	\$532,798

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**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. The loan is considered a direct borrowing and is a general obligation of the District for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

**\$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. The final maturity date is February 1, 2020.

**\$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. The final maturity date is February 1, 2032.

**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
2016A Bond	Beltline and Battle Creek Tunnel Repair	Property Taxes	100%	2016 - 2031	\$3,932,961	\$305,393	\$399,113

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**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, 2019, the District had committed contracts of \$209,253 for construction/repair projects.

**Note 10 FUND BALANCE**

**A. CLASSIFICATIONS**

At December 31, 2019, 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	\$34,825	\$271,081	\$120,358	\$ -	\$426,264
Restricted for:					
Debt service	-	981,267	10,102	-	991,369
Assigned for:					
Construction/projects	-	-	-	7,029,812	7,029,812
Unassigned	<u>4,598,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,598,342</u>
 Total	 <u>\$4,633,167</u>	 <u>\$1,252,348</u>	 <u>\$130,460</u>	 <u>\$7,029,812</u>	 <u>\$13,045,787</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, 2019, the unassigned fund balance of the General Fund was 115% of the subsequent year's budgeted expenditures.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**Note 11 INTERFUND ACTIVITY**

Individual fund interfund receivable and payable balances at December 31, 2019 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$115,530	\$ -
Certificates of Participation	-	115,530
Total	<u>\$115,530</u>	<u>\$115,530</u>

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

During 2019, the District transferred \$863,674 from the Capital Projects CIB fund to the General Obligation Bonds fund. This amount represents unspent bond proceeds and other funds restricted for the Beltline and Battle Creek Tunnel Repair project which was completed in 2018.

**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.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS**

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

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

**Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*.** The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

**Statement No. 91 *Conduit Debt Obligations*.** The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

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

**Note 14 SUBSEQUENT EVENTS AND UNCERTAINTIES**

The COVID-19 pandemic continues to cause rapidly changing disruptions world-wide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the District's financial statements at December 31, 2019.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

**Statement 6****Page 1 of 2**

	2019				
	Budgeted Amounts		Actual	Variance with Final Budget - Positive	2018 Actual
	Original	Final	Amounts	(Negative)	Amounts
Revenues:					
General property taxes	\$2,609,500	\$2,609,500	\$2,576,244	(\$33,256)	\$2,564,734
Intergovernmental - grants	80,000	80,000	56,860	(23,140)	33,785
Stormwater impact payment	-	-	344,782	344,782	38,660
Investment income	20,000	20,000	107,747	87,747	76,735
Permit escrow fees	15,000	15,000	15,180	180	10,500
Refunds and reimbursements	-	-	33,953	33,953	8,468
Other	-	-	13,742	13,742	13,620
Total revenues	2,724,500	2,724,500	3,148,508	424,008	2,746,502
Expenditures:					
General government:					
Engineering:					
Administration	93,000	93,000	74,260	18,740	75,833
Permit review	55,000	55,000	47,186	7,814	54,018
Engineer review	65,000	65,000	41,270	23,730	47,972
Subtotal engineering	213,000	213,000	162,716	50,284	177,823
Consulting	40,000	40,000	-	40,000	7,832
District training	25,000	25,000	25,222	(222)	22,430
Dues	11,000	11,000	10,097	903	10,152
Employee expenses	10,000	10,000	7,910	2,090	5,742
Insurance	35,000	35,000	36,122	(1,122)	33,865
Legal and audit	105,000	105,000	83,984	21,016	66,814
Manager's per diem and expenses	10,000	10,000	9,796	204	5,129
Miscellaneous	5,000	5,000	538	4,462	400
Office equipment and maintenance	360,000	360,000	162,076	197,924	43,990
Office supplies and postage	15,000	15,000	5,728	9,272	7,632
Printing	8,000	8,000	6,002	1,998	5,100
Salaries/payroll taxes/benefits	1,385,000	1,385,000	1,354,626	30,374	1,219,782
Telephone	8,000	8,000	6,442	1,558	3,694
Utilities	20,000	20,000	25,125	(5,125)	16,864
Vehicle lease and maintenance	43,000	43,000	75,168	(32,168)	49,579
Water quality monitoring	300,000	300,000	219,551	80,449	164,898
GIS system maintenance and equipment	20,000	20,000	(1,135)	21,135	5,401
Internet/website	45,000	45,000	40,900	4,100	35,051
Project operations	160,000	160,000	28,642	131,358	92,068
Committee expenditures	3,500	3,500	3,669	(169)	3,141
Communications and marketing	25,000	25,000	6,001	18,999	6,691
Total general government	2,846,500	2,846,500	2,269,180	577,320	1,984,078

See accompanying notes to the required supplementary information.

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

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

**Statement 6****Page 2 of 2**

	2019			Variance with	2018
	Budgeted Amounts		Actual	Final Budget -	Actual
	Original	Final	Amounts	Positive	Amounts
				(Negative)	
Watershed programs:					
Project feasibility studies	\$790,000	\$790,000	\$434,794	\$355,206	\$315,190
Education programming	60,000	60,000	16,096	43,904	32,224
Natural resources program	115,000	115,000	109,034	5,966	98,014
Research projects	115,000	115,000	59,457	55,543	65,835
Waterfest	50,000	50,000	39,445	10,555	41,987
NPDES Phase II	10,000	10,000	-	10,000	10,262
Health and safety program	3,000	3,000	1,043	1,957	2,748
Lake Studies/WRAPS/TMDL	68,000	68,000	4,115	63,885	18,725
Outside programs	67,000	67,000	46,730	20,270	42,791
Total watershed programs	1,278,000	1,278,000	710,714	567,286	627,776
Total expenditures	4,124,500	4,124,500	2,979,894	1,144,606	2,611,854
Revenues over (under) expenditures	(\$1,400,000)	(\$1,400,000)	168,614	\$1,568,614	134,648
Fund balance - January 1			4,464,553		4,329,905
Fund balance - December 31			\$4,633,167		\$4,464,553

See accompanying notes to the required supplementary information.

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -  
GENERAL EMPLOYEES RETIREMENT FUND  
For The Last Ten Years

**Statement 7**

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (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)	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%
2018	2018	0.0127%	704,544	23,081	727,625	852,560	85.3%	79.5%
2019	2019	0.0128%	707,683	21,999	729,682	903,338	80.8%	80.2%

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

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT****REQUIRED SUPPLEMENTARY INFORMATION****Statement 8****SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND**

For The Last Ten Years

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Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$57,121	\$57,121	\$ -	\$761,606	7.5%
2016	57,310	57,310	-	764,138	7.5%
2017	60,595	60,595	-	807,938	7.5%
2018	65,933	65,933	-	879,103	7.5%
2019	68,723	68,723	-	916,307	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.

See accompanying notes to the required supplementary information.

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**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2019

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**Note A    LEGAL COMPLIANCE – BUDGETS**

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

**Note B    PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

*2019 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in the Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

*2017 Changes*

Changes in Actuarial Assumptions

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

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## **INDIVIDUAL FUND FINANCIAL STATEMENTS**



**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
December 31, 2019  
With Comparative Totals For December 31, 2018

**Statement 9**

	2019	2018
<b>Assets:</b>		
Cash and investments	\$5,838,073	\$5,257,503
Due from other governmental units	120,809	117,413
Due from other funds	115,530	185,709
Property taxes receivable:		
Delinquent	47,333	34,502
Due from county	32,748	35,260
Prepaid items	34,825	12,936
Total assets	<u>\$6,189,318</u>	<u>\$5,643,323</u>
<b>Liabilities:</b>		
Accounts payable	\$38,730	\$41,761
Salaries payable	21,209	16,147
Due to other governmental units	5,780	10,655
Escrow deposits payable	1,375,739	974,665
Total liabilities	<u>1,441,458</u>	<u>1,043,228</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	<u>114,693</u>	<u>135,542</u>
<b>Fund balance:</b>		
Nonspendable	34,825	12,936
Unassigned	4,598,342	4,451,617
Total fund balance	<u>4,633,167</u>	<u>4,464,553</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$6,189,318</u>	<u>\$5,643,323</u>

**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
For The Year Ended December 31, 2019  
With Comparative Totals For The Year Ended December 31, 2018

**Statement 10**

	2019	2018
Revenues:		
General property taxes	\$2,576,244	\$2,564,734
Intergovernmental - grants	56,860	33,785
Stormwater impact payment	344,782	38,660
Investment income	107,747	76,735
Permit escrow fees	15,180	10,500
Refunds and reimbursements	33,953	8,468
Other	13,742	13,620
Total revenues	<u>3,148,508</u>	<u>2,746,502</u>
Expenditures:		
Current:		
General government	2,195,910	1,934,950
Programs	716,715	634,467
Capital outlay	67,269	42,437
Total expenditures	<u>2,979,894</u>	<u>2,611,854</u>
Revenues over expenditures	168,614	134,648
Fund balance - January 1	<u>4,464,553</u>	<u>4,329,905</u>
Fund balance - December 31	<u><u>\$4,633,167</u></u>	<u><u>\$4,464,553</u></u>

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## **OTHER INFORMATION - UNAUDITED**

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

**Exhibit 1**

	2019/20		2018/19		2017/18		2016/17	
	Tax Capacity		Tax Capacity		Tax Capacity		Tax Capacity	
	Values		Values		Values		Values	
Taxable valuations:								
Washington County	\$35,312,865	**	\$38,883,443		\$35,953,519		\$33,577,746	
Ramsey County	162,368,516	**	153,459,180		142,027,646		131,503,926	
Total	<u>\$197,681,381</u>		<u>\$192,342,623</u>		<u>\$177,981,165</u>		<u>\$165,081,672</u>	
Tax levies extended:								
Extended in year	2019		2018		2017		2016	
Collectible in year	2020		2019		2018		2017	
	Tax		Tax		Tax		Tax	
	Capacity		Capacity		Capacity		Capacity	
	Rate		Rate		Rate		Rate	
	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate
General Fund	\$2,499,500	1.300	\$2,609,500	1.357	\$2,562,550	1.453	\$3,121,500	1.934
Debt levy	92,611	.048	399,113	.208	448,951	.255	238,977	.148
CIB Fund	4,211,885	2.190	3,754,885	1.952	3,859,885	2.189	3,205,383	1.985
Total	<u>\$6,803,996</u>	<u>3.538</u>	<u>\$6,763,498</u>	<u>3.538</u>	<u>\$6,871,386</u>	<u>3.897</u>	<u>\$6,565,860</u>	<u>4.067</u>

\*\* - Based on the 2020 proposed value, final value was not available.

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

Project	CIB Year	Expenditures		
		Prior Years	2019	Total
Completed projects:				
Subtotal - completed projects	1987-2013	\$30,056,825	\$ -	\$30,056,825
Projects recently closed:				
519 - District Office Retrofit	2015	115,836	25,763	141,599
549 - Beltline/Battle Creek	2016	3,867,900	-	3,867,900
550 - Frost/Kennard Project	2016	403,950	-	403,950
551 - Markham Pond Project	2016	461,272	5,842	467,114
554 - Willow Pond Project	2018	444,537	(259)	444,278
Current CIB projects:				
516 - Project Maintenance and Repair	1992-2018	10,336,740	1,072,788	11,409,528
529 - BMP Incentive Grant Program	2007-2018	3,927,886	911,526	4,839,412
528 - Faith Based Volume Reduction	2013	425,554	-	425,554
531 - Volume Reduction Opportunity Fund	2014	-	-	-
518 - School/Commercial Site Retrofit	2015	1,080,615	1,244,485	2,325,100
520 - Flood Damage	2015	594,630	334,528	929,158
553 - Wakefield Project	2017	52,493	780,937	833,430
Subtotal		21,711,413	4,375,610	26,087,023
580 - CIB contingency account		266,879	-	266,879

Revenue	Revenue					Revenue
Prior Years Revenue	2019 CIB Levy	Investment Income	Transfers/ Reallocation	Grant/Project Reimbursement	Total Revenue	Over/(Under) Expenditures
\$30,097,208	\$ -	\$ -	\$ -	\$ -	\$30,097,208	\$40,383
148,641	-	-	(7,042)	-	141,599	-
4,731,574	-	-	(863,674)	-	3,867,900	-
473,967	-	-	(70,017)	-	403,950	-
571,651	-	-	(75,678)	4,791	500,764	33,650
399,949	-	-	-	-	399,949	(44,329)
11,288,703	1,105,727	-	-	175,457	12,569,887	1,160,359
4,118,255	617,035	-	-	-	4,735,290	(104,122)
624,337	617,035	-	-	-	1,241,372	815,818
1,484,215	-	-	-	-	1,484,215	1,484,215
2,075,340	197,451	-	-	-	2,272,791	(52,309)
2,418,548	977,383	-	-	99,047	3,494,978	2,565,820
1,101,779	-	-	-	-	1,101,779	268,349
29,436,959	3,514,631	0	(1,016,411)	279,295	32,214,474	6,127,451
825,481	-	150,639	152,737	-	1,128,857	861,978
Fund balance - December 31, 2019						\$7,029,812



**RAMSEY-WASHINGTON METRO WATERSHED DISTRICT**  
**COMBINED SCHEDULE OF INDEBTEDNESS - UNAUDITED**  
December 31, 2019

	<u>Dated</u>	<u>Final Due Date</u>	<u>Net Interest Rate</u>
Bonded indebtedness:			
General Obligation Debt:			
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 12/31/19	Due in 2020	
			Principal	Interest
\$1,177,217	\$492,217	\$685,000	\$81,000	\$11,611
1,230,000	1,110,000	120,000	120,000	990
3,860,000	435,000	3,425,000	235,000	69,813
<u>6,267,217</u>	<u>2,037,217</u>	<u>4,230,000</u>	<u>436,000</u>	<u>82,414</u>
		63,567	-	-
		<u>99,563</u>	<u>96,798</u>	<u>-</u>
<u>\$6,267,217</u>	<u>\$2,037,217</u>	<u>\$4,393,130</u>	<u>\$532,798</u>	<u>\$82,414</u>

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

December 31, 2019

Year of Levy/ Collection	G.O. Drainage Bonds of 2016A	Total
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	\$3,844,973	\$3,844,973

## **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 the Ramsey-Washington Metro Watershed District as of and for the year ended December 31, 2019, 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 the Ramsey-Washington Metro Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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, the Ramsey-Washington Metro Watershed District's Board of Managers, and others within the District, 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 7, 2020

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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, 2019, 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 7, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Ramsey-Washington Metro Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the 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 7, 2020



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