

**RAMSEY-WASHINGTON METRO
WATERSHED DISTRICT**

AUDIT MANAGEMENT LETTER

For The Year Ended December 31, 2025

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

We have completed our audit of the Ramsey-Washington Metro Watershed District (RWMWD) for the year ended December 31, 2025. In conjunction with that audit, we present this management letter on matters relating to the financial operations of RWMWD. 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 RWMWD. 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 RWMWD. We are available to discuss this report with you.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

April 17, 2026



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Cash and Investments

Cash and investment balances at December 31, 2025 and 2024 were as follows:

Fund	December 31,		Increase (Decrease)
	2025	2024	
General	\$3,422,084	\$4,237,736	(\$815,652)
Debt Service Funds:			
General Obligation Bonds	316,196	294,096	22,100
Capital Project Funds:			
Stormwater Impact Fund	834,318	528,386	305,932
Capital Projects CIB	9,240,651	9,607,417	(366,766)
Total	\$13,813,249	\$14,667,635	(\$854,386)

Investment income totaled \$521,022 for the year ended December 31, 2025 as compared to \$706,471 for the year ended December 31, 2024. As of December 31, 2025, the RWMWD’s funds were earning 3.76% as compared to 4.50% as of December 31, 2024. This decrease is consistent with general market conditions.

Taxes Receivable

Taxes receivable at December 31, 2025 and 2024 consisted of the following:

	December 31,		Increase (Decrease)
	2025	2024	
Delinquent	\$211,897	\$221,076	(\$9,179)
Due from County	38,657	47,731	(9,074)
Total	\$250,554	\$268,807	(\$18,253)

Delinquent taxes receivable represent the balance of property taxes levied for collection in 2016 through 2025, but which remained unpaid by the property owner as of December 31, 2025. This uncollected portion of property taxes is also classified as unavailable revenue and is not part of fund balance at year-end. Accounting standards related to revenue recognition for governments require revenue to be both measurable and available. Delinquent property taxes are not considered to be available.

Due from County taxes receivable consist of amounts collected by Ramsey and Washington counties during November and December of 2025, but not remitted to RWMWD until January 2026.

RWMWD's overall property tax collection rate was 98.7% for the year ended December 31, 2025. The following table summarizes the 2025 levy and collections:

	Ramsey & Washington Counties
Total levy (pay 2025)	<u>\$7,377,463</u>
<u>2025 collections:</u>	
July 2025 collections	3,804,758
December 2025 collections	3,437,621
January 2026 collections	<u>38,657</u>
Total property tax revenue - 2025	<u>\$7,281,036</u>
Collection percentage - current and delinquent	<u>98.7%</u>

103B Levy Authority

RWMWD levies taxes under the authority of Minnesota Statute 103B.241. As such, the General Fund is not limited by the \$500,000 tax levy authorized in Minnesota Statute 103D. RWMWD no longer employs Special Revenue Funds to account for maintenance and projects and instead levies for all non-CIB Fund projects out of the General Fund. Minnesota Statute 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.

Intergovernmental Revenue

Intergovernmental grants and aids, and cost sharing agreement revenue (in all funds) in 2025 include the following:

Met Council WOMP grants	\$9,000
Minnesota Pollution Control Agency grants	346,675
Market value credit	<u>30</u>
Total intergovernmental revenue	<u><u>\$355,705</u></u>

Stormwater Impact Payments

Stormwater impact payment revenue totaled \$316,250 for the year ended December 31, 2025 as compared to \$84,053 for the year ended December 31, 2024. During 2025, \$270,000 was received from the City of Woodbury and \$46,250 was received from the City of St. Paul.

Pension Liability

GASB Statement No. 68 requires RWMWD to report its proportionate share of PERA’s net pension liability. During 2025, RWMWD’s share of PERA’s net pension liability decreased by \$39,341 to \$519,601. RWMWD paid its required contribution of \$110,410 to the Plan, which was equal to 7.50% of eligible wages. RWMWD is not obligated to “pay off” the net pension liability.

Fund Balance – All Funds

Fund balance represents the net current assets of each fund (i.e., cash plus receivables minus liabilities).

RWMWD'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.

At December 31, 2025 and 2024, fund balance was as follows:

Fund	December 31,		Increase (Decrease)
	2025	2024	
General	\$1,562,307	\$2,404,391	(\$842,084)
Debt Service Funds:			
General Obligation Bonds	318,347	295,131	23,216
Capital Project Funds:			
Stormwater Impact Fund	834,318	528,386	305,932
Capital Projects CIB	9,151,641	8,549,205	602,436
Total	<u>\$11,866,613</u>	<u>\$11,777,113</u>	<u>\$89,500</u>

General Fund

The fund balance of the General Fund decreased by \$842,084 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		(\$2,012,496)
Actual revenue over (under) budgeted revenue:		
Property taxes	(\$39,369)	
Intergovernmental	18,226	
Investment income	90,950	
Permit escrow fees	10,238	
Refunds, reimbursements and other	39,270	
		<u>119,315</u>
Actual expenditures (over) under budget:		
Engineering	34,229	
Consulting	40,000	
Office equipment and maintenance	66,782	
Project operations	(80,395)	
Salaries/payroll taxes/benefits	48,669	
Vehicle lease and maintenance	(44,793)	
Water quality monitoring	199,462	
Watershed programs	684,813	
All other (net)	102,330	
		<u>1,051,097</u>
Net change in fund balance		<u><u>(\$842,084)</u></u>

For watershed programs, significant positive expenditure budget variances included project feasibility studies (\$266,463) and lake studies/WRAPS/TMDL (\$246,584).

General Fund Balance

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

<u>Year Ended December 31</u>	<u>Amount</u>	<u>Increase (Decrease)</u>
2025	\$1,562,307	(\$842,084)
2024	2,404,391	(310,237)
2023	2,714,628	474,516
2022	2,240,112	(142,668)
2021	2,382,780	(1,982,184)
2020	4,364,964	(268,203)
2019	4,633,167	168,614
2018	4,464,553	134,648
2017	4,329,905	909,343
2016	3,420,562	519,375

RWMWD sets the General Fund tax levy and budgets expenditures at a level consistent with its fund balance reserve policy. In 2025, the final budget reflected a decrease of \$2,012,496 in General Fund reserves. Actual reserves decreased by \$842,084 as detailed previously. In comparison, during 2024 RWMWD budgeted to use \$1,000,000 of General Fund reserves while actual reserves decreased by \$310,237.

The RWMWD 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. RWMWD receives revenue from property taxes primarily in December and July. However, expenditures are incurred throughout the year. Timing differences in the receipt of property taxes should be compensated for with adequate operating reserves. RWMWD targets 50% of the ensuing year's expenditure budget as the end of year minimum unassigned fund balance. The unassigned balance at December 31, 2025 was \$1,553,612 or 31% of the ensuing year's expenditure budget.
2. Emergency and/or unanticipated expenditures. Operating budgets are estimates only. RWMWD 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 annual operating budget (i.e., 10% to 15% or more, depending upon the budget philosophy).
3. Preliminary project funding. Feasibility studies of potential projects require financing. RWMWD does receive such preliminary funding for certain projects. Other minor projects may be more efficiently funded through available reserves.

CIB Authority

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

Under the authorities provided by State Statute 103B.241, RWMWD is authorized to levy ad valorem taxes for the purposes of financing the CIB projects. RWMWD has levied the following amounts for CIB projects over the past ten years:

<u>Collectible Year</u>	<u>CIB Levy Certified</u>
2025	\$3,954,910
2024	3,795,000
2023	3,390,000
2022	3,540,000
2021	3,962,337
2020	4,211,885
2019	3,754,885
2018	3,859,885
2017	3,205,383
2016	3,839,885

These levies have financed the CIB projects as well as debt service payments on the Certificates of Participation (paid off February 1, 2020). A summary of RWMWD's ad valorem tax levies is presented in Exhibit 1 of the Annual Financial Report. Additionally, a breakdown of the CIB Fund levy by project is presented in Exhibit 2 of the Annual Financial Report.

Long-Term Debt

As of December 31, 2025, RWMWD has the following outstanding long-term debt:

- General Obligation Minnesota Public Facilities Authority (MPFA) Loan of 2012
 - December 31, 2025 balance is \$180,000, matures in 2027
- General Obligation Drainage Bonds of 2016A
 - December 31, 2025 balance is \$1,960,000, matures in 2032

The schedules of indebtedness and deferred tax levies associated with the long-term debt are presented in Exhibits 3 and 4 of the Annual Financial Report.

RWMWD has a General Obligation Bonds debt service fund to account for activity associated with the G.O. MPFA Loan and the G.O. Drainage Bonds. Fund balance increased from \$295,131 at December 31, 2024 to \$318,347 at December 31, 2025.

During 2023, \$250,000 of contingency funds were transferred from the Capital Projects CIB fund to finance a portion of the debt service requirements through February 2026.

The \$318,347 of fund balance at December 31, 2025 is sufficient to cover the debt service payments for the first half of 2026. Property tax collections in 2026 will be used for debt service payments in the second half of 2026.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of the governmental activities and each major fund of Ramsey-Washington Metro Watershed District (RWMWD) for the year ended December 31, 2025. 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 19, 2026. 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 RWMWD 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 2025. We noted no transactions entered into by RWMWD 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 financial statements are estimates used to calculate the net pension liability, the pension related deferred outflows and inflows of resources and pension expense. These estimates are based on actuarial studies. We evaluated the methods,

assumptions, and data 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 disclosure most likely to be considered sensitive is Note 6 – Long-Term Debt.

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. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The following material misstatements detected as a result of audit procedures were corrected by management:

- A \$95,910 payment was included as an outstanding check on the December 2025 bank reconciliation. The payment was also included in accounts payable at year-end, which resulted in a duplication of 2025 expenditures prior to correction. The issue occurred because the original check had to be voided and re-issued.

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 17, 2026.

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 RWMWD'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 RWMWD's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Evidence of Review and Approval of Bank Reconciliations

A strong system of internal controls includes processes that are appropriately designed, implemented, and supported by documentation demonstrating consistent performance. We recommend RWMWD enhance its internal controls over bank reconciliations (and monthly

interim financial statements) received from the third-party accountant by producing evidence that review and approval has occurred via documentation of the name and date of the reviewer/approver on the related support that is saved with RWMWD's records.

Reconciliation of Escrow Deposits Payable

RWMWD maintains escrow balances for permits in its permit tracking database, while escrow activity is also recorded in the general ledger by the third-party accountant. To strengthen monitoring over escrow deposits, we recommend that escrow balances recorded in the permit database be reconciled to the general ledger on a regular basis (e.g., monthly or quarterly). Currently, this reconciliation is performed only at year-end.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule and the schedules of 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 the Board of Managers and management of Ramsey-Washington Metro Watershed District and is not intended to be, and should not be, used by anyone other than these specified parties.