

OFFICE OF STATE AUDITOR

AUDIT REPORT

**GREATER RAMSEY WATER DISTRICT
DEVILS LAKE, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

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GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

LIST OF OFFICIALS

December 31, 2012

Jay Klemetsrud	President
Cindy Brown	Vice-President
Les Windjue	Board Member
Doug Mohr	Board Member
Kerwin Borgen	Board Member
Paul Becker	Board Member
Sally Herda	Secretary/Treasurer

STATE AUDITOR

ROBERT R. PETERSON
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Governing Board
Greater Ramsey Water District
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Greater Ramsey Water District, Devils Lake, North Dakota, as of and for the year ended December 31, 2012, and related notes to the financial statements, which collectively comprise the Water 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 business-type activities, and each major fund of the Greater Ramsey Water District, Devils Lake, North Dakota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the Greater Ramsey Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greater Ramsey Water District's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 5, 2013

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	<u>Business-Type Activities</u>
<u>ASSETS:</u>	
Cash	\$ 2,712,335
Investments	1,041,848
Accounts Receivable	113,633
Contracts Receivable	10,000
Prepaid Postage	74
Transfer Account	636
Due from County	3,742
Special Assessments Receivable	879
Long-Term Receivables:	
Uncertified Special Assessments Receivable	209,595
Contracts Receivable	20,000
Restricted Assets:	
Cash	1,182,181
Capital Assets:	
<i>Not Being Depreciated</i>	
Land	103,841
<i>Being Depreciated</i>	
Structures	2,374,257
Pipelines	24,916,410
Equipment	151,852
Total Capital Assets	<u>\$ 27,546,360</u>
Total Assets	<u>\$ 32,841,283</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 10,382
Interest Payable	35,017
Rental Deposits	2,150
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	384,978
Compensated Absences	16,572
Due After One Year:	
Loans Payable	2,896,846
Compensated Absences	<u>24,860</u>
Total Liabilities	<u>\$ 3,370,805</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 24,264,536
Restricted for:	
Debt Service	1,391,776
Unrestricted	<u>3,814,166</u>
Total Net Position	<u>\$ 29,470,478</u>

The notes to the financial statements are an integral part of this statement.

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		Total Business-Type Activities
		Charges for Services	Capital Grants and Contributions	
<u>Primary Government:</u>				
<u>Business-Type Activities:</u>				
Water System	\$ 898,119	\$ 1,364,005	\$ 201,523	\$ 667,409
Sewer System	329,121	329,671	593,235	593,785
Building Fund	68,278	-	-	(68,278)
Total Business-Type Activities	<u>\$1,295,518</u>	<u>\$ 1,693,676</u>	<u>\$ 794,758</u>	<u>\$ 1,192,916</u>
<u>General Revenues:</u>				
State Aid/Unrestricted Grants				\$ 33,435
Earnings on Investments				20,976
Miscellaneous Revenue				101,807
Proceeds from Sale of Capital Assets				40,000
Total General Revenues				<u>\$ 196,218</u>
Change in Net Position				<u>\$ 1,389,134</u>
Net Position - January 1				<u>\$ 28,081,344</u>
Net Position - December 31				<u><u>\$ 29,470,478</u></u>

The notes to the financial statements are an integral part of this statement.

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-Type Activities - Enterprise Funds			Totals
	Water System	Sewer System	Building Fund	
ASSETS				
Current Assets:				
Cash	\$ 2,032,316	\$ 646,758	\$ 33,261	\$ 2,712,335
Investments	791,848	250,000	-	1,041,848
Accounts Receivable	93,139	20,494	-	113,633
Contract Receivable	-	-	10,000	10,000
Transfer Account	477	159	-	636
Prepaid Postage	3	71	-	74
Due from County	-	3,742	-	3,742
Certified Special Assessments Receivable	-	879	-	879
Restricted Assets:				
Cash	1,119,306	62,875	-	1,182,181
Total Current Assets	\$ 4,037,089	\$ 984,978	\$ 43,261	\$ 5,065,328
Noncurrent Assets:				
Uncertified Special Assessments Receivable	\$ -	\$ 209,595	\$ -	\$ 209,595
Contract Receivable	-	-	20,000	20,000
Capital Assets (not being depreciated)				
Land	95,381	8,460	-	103,841
Capital Assets (net of accumulated depreciation):				
Structures	2,039,918	334,339	-	2,374,257
Pipelines	19,505,408	5,411,002	-	24,916,410
Equipment	110,293	41,559	-	151,852
Total Capital Assets	\$ 21,751,000	\$ 5,795,360	\$ -	\$ 27,546,360
Total Noncurrent Assets	\$ 21,751,000	\$ 6,004,955	\$ 20,000	\$ 27,775,955
Total Assets	\$ 25,788,089	\$ 6,989,933	\$ 63,261	\$ 32,841,283
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 6,468	\$ 3,914	\$ -	\$ 10,382
Interest Payable	26,122	8,895	-	35,017
Rental Deposits	2,075	75	-	2,150
Loans Payable	363,024	21,954	-	384,978
Compensated Absences	12,429	4,143	-	16,572
Total Current Liabilities	\$ 410,118	\$ 38,981	\$ -	\$ 449,099
Noncurrent Liabilities:				
Loans Payable	\$ 2,682,749	\$ 214,097	\$ -	\$ 2,896,846
Compensated Absences	18,645	6,215	-	24,860
Total Noncurrent Liabilities	\$ 2,701,394	\$ 220,312	\$ -	\$ 2,921,706
Total Liabilities	\$ 3,111,512	\$ 259,293	\$ -	\$ 3,370,805
NET POSITION				
Net Investment in Capital Assets	\$ 18,705,227	\$ 5,559,309	\$ -	\$ 24,264,536
Restricted for:				
Debt Service	1,119,306	272,470	-	1,391,776
Unrestricted	2,852,044	898,861	63,261	3,814,166
Total Net Position	\$ 22,676,577	\$ 6,730,640	\$ 63,261	\$ 29,470,478

The notes to the financial statements are an integral part of this statement.

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Funds	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 1,364,006	\$ 329,671	\$ -	\$ 1,693,677
<u>Operating Expenses:</u>				
Shop/Office Building	\$ 5,472	\$ 37,624	\$ 1,407	\$ 44,503
Administrative	130,841	1,824	-	132,665
Water Operation	52,037	-	-	52,037
Water Treatment Plant	110,382	-	-	110,382
Carrington Water Distribution	26,081	-	-	26,081
Sewer Operations	-	43,924	-	43,924
Depreciation Expense	424,800	127,758	-	552,558
Total Operating Expenses	\$ 749,613	\$ 211,130	\$ 1,407	\$ 962,150
Operating Income (Loss)	\$ 614,393	\$ 118,541	\$ (1,407)	\$ 731,527
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	\$ 16,188	\$ 4,661	\$ 127	\$ 20,976
Gain (Loss) on Disposal of Capital Assets	(44,212)	(105,846)	-	(150,058)
Proceeds from Sale of Capital Assets	-	-	40,000	40,000
Grant Reimbursements	-	-	66,871	66,871
Capital Contribution	201,522	593,235	-	794,757
Hookup Fees	43,800	2,358	-	46,158
Miscellaneous	22,213	-	-	22,213
Sub-Division Road Projects	-	-	(66,871)	(66,871)
Interest and Service Charges	(104,294)	(12,145)	-	(116,439)
Total Non-Operating Revenues (Expenses)	\$ 135,217	\$ 482,263	\$ 40,127	\$ 657,607
Change in Net Position	\$ 749,610	\$ 600,804	\$ 38,720	\$ 1,389,134
Total Net Position - January 1	\$ 21,926,967	\$ 6,129,836	\$ 24,541	\$ 28,081,344
Total Net Position - December 31	\$ 22,676,577	\$ 6,730,640	\$ 63,261	\$ 29,470,478

The notes to the financial statements are an integral part of this statement.

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 1,348,950	\$ 329,375	\$ -	\$ 1,678,325
Cash Payments to Suppliers for Goods and Services	(90,327)	(15,882)	(1,407)	(107,616)
Cash Payments to Employees for Services	(245,314)	(83,934)	-	(329,248)
Net Cash Provided by Operating Activities	<u>\$ 1,013,309</u>	<u>\$ 229,559</u>	<u>\$ (1,407)</u>	<u>\$ 1,241,461</u>
<u>Cash Flows from Non-capital and Related Financing Activities:</u>				
Miscellaneous Revenues	<u>\$ 66,013</u>	<u>\$ 2,358</u>	<u>\$ 10,000</u>	<u>\$ 78,371</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	\$ (463,469)	\$ (765,793)	\$ -	(1,229,262)
Capital Contribution	242,211	614,780	-	856,991
Principal - Paid Loan	(351,636)	(20,677)	-	(372,313)
Interest Paid	(107,351)	(12,929)	-	(120,280)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (680,245)</u>	<u>\$ (184,619)</u>	<u>\$ -</u>	<u>\$ (864,864)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase/Sale of Investments	\$ (1,789)	\$ -	\$ -	\$ (1,789)
Interest Received	16,188	4,661	127	20,976
Net Cash Provided (Used) by Investing Activities	<u>\$ 14,399</u>	<u>\$ 4,661</u>	<u>\$ 127</u>	<u>\$ 19,187</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 413,476</u>	<u>\$ 51,959</u>	<u>\$ 8,720</u>	<u>\$ 474,155</u>
Cash and Cash Equivalents, January 1	<u>\$ 2,738,146</u>	<u>\$ 657,674</u>	<u>\$ 24,541</u>	<u>\$ 3,420,361</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,151,622</u>	<u>\$ 709,633</u>	<u>\$ 33,261</u>	<u>\$ 3,894,516</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	<u>\$ 614,393</u>	<u>\$ 118,541</u>	<u>\$ (1,407)</u>	<u>\$ 731,527</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation Expense	\$ 424,800	\$ 127,758	\$ -	\$ 552,558
Change in Assets and Liabilities:				
Change in Transfer Account	(41)	(14)	-	(55)
Change in Prepaid Postage	(3)	1	-	(2)
Change in Other Liability	(30)	-	-	(30)
Change in Rental Deposits	350	75	-	425
Change in Accounts Receivable	(15,364)	(357)	-	(15,721)
Change in Retainages Payable	(18,762)	(18,042)	-	(36,804)
Change in Accounts Payable	6,468	3,914	-	10,382
Change in Compensated Absence	1,498	(2,317)	-	(819)
Total Adjustments	<u>\$ 398,916</u>	<u>\$ 111,018</u>	<u>\$ -</u>	<u>\$ 509,934</u>
Net Cash Provided by Operating Activities	<u>\$ 1,013,309</u>	<u>\$ 229,559</u>	<u>\$ (1,407)</u>	<u>\$ 1,241,461</u>

The notes to the financial statements are an integral part of this statement.

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Greater Ramsey Water District operates under the guidelines of Water Districts set forth in the North Dakota Century Code Chapter 61-35-02. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Greater Ramsey Water District. The district has considered all potential component units for which the district is financially accountable and other organizations for which the nature and significance of their relationships with the district are such that exclusion would cause the district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Greater Ramsey Water District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Greater Ramsey Water District.

Based on these criteria, there are no component units to be included within the Greater Ramsey Water District as a reporting entity.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Greater Ramsey Water District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for the proprietary funds are presented. The emphasis of fund financial statements is on major enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major proprietary (business-type) funds:

Water System Fund. This fund accounts for the operation and maintenance of the water system of the Greater Ramsey Water District.

Sewer System Fund. This fund accounts for the operation and maintenance of the sewer system of the Greater Ramsey Water District.

Building Fund. This fund accounts for the cost share between the Water and Sewer Funds for building a new office and shop.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include special assessments, grants, entitlements, and donations. On an accrual basis, revenue from special assessments is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Equipment	5 – 10
Structures	20 – 40
Pipelines	75

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

G. Net Position

Prior to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, net assets equity was reported in the statement of net assets. Subsequent to the issuance of GASB Statement No. 63, net position is reported in the statement of net position.

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

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt (loans payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net position, are due to restricted bond indenture requirements for debt service as outlined in the statement of net position.

Unrestricted net position is primarily unrestricted amounts related to the water, sewer, and building funds. The unrestricted net position is available to meet the district's ongoing obligations.

NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, the Water District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any park, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

GREATER RAMSEY WATER DISTRICT
 Notes to the Financial Statements - Continued

At year ended December 31, 2012, the Water District's carrying amount of deposits was \$4,936,362 and the bank balance was \$4,976,858. Of the bank balances, \$750,144 was covered by Federal Depository Insurance, and the remaining bank balances totaling \$4,226,714, were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The Water District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2012, the Water District held certificates of deposit in the amount of \$1,041,848 which are all considered deposits.

Concentration of Credit Risk:

The Water District does not have a limit on the amount the district may invest in any one issuer.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed to the Water District from private individuals for billings for water and sewer services.

NOTE 4: CONTRACT RECEIVABLE

Outstanding business-type activities long-term contract receivable at December 31, 2012 is comprised of the following individual issue:

\$40,000 Contract Receivable from Ramsey County for the purchase of the district's old shop building and land due in annual installments of \$10,000 through 2015 with no interest. \$30,000

BUSINESS-TYPE ACTIVITES	
Year Ending	Contract Receivable
December 31	Principal
2013	\$10,000
2014	10,000
2015	10,000
Total	\$30,000

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements - Continued

NOTE 5: DUE FROM COUNTY

Due from county represents the amount of special assessments collected prior to year-end by Ramsey County that remain on hand at the county that are distributed to the water district shortly after December 1, 2013.

NOTE 6: SPECIAL ASSESSMENT RECEIVABLE

Special assessment receivable represent the past three years of delinquent uncollected special assessments. No allowance has been established for uncollectible special assessments.

NOTE 7: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

Long-term uncertified special assessments receivable represent the amount of uncertified special assessments to be certified in upcoming years for various projects.

NOTE 8: RESTRICTED CASH

The Greater Ramsey Water District's grant/loan covenants require certain reservations of the water system's retained earnings. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The reserved portions are as follows:

Water Fund	\$1,119,306
Sewer Fund	62,875
TOTAL RESERVE	\$1,182,181

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012:

Water Fund Business-Type Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 95,381	\$ -	\$ -	\$ -	\$ 95,381
Construction in Progress	318,478	-	-	(318,478)	-
Total Capital Assets, Not Being Depreciated	\$ 413,859	\$ -	\$ -	\$(318,478)	\$ 95,381
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 216,789	\$ 26,561	\$12,514	\$ -	\$ 230,836
Buildings/Structures	3,659,056	-	34,624	-	3,624,432
Pipelines	21,916,285	436,908	30,308	318,478	22,641,363
Total Capital Assets, Being Depreciated	\$25,792,130	\$463,469	\$77,446	\$ 318,478	\$26,496,631
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 102,213	\$ 30,844	\$12,514	\$ -	\$ 120,543
Buildings/Structures	1,506,293	92,071	13,850	-	1,584,514
Pipelines	2,840,940	301,885	6,870	-	3,135,955
Total Accumulated Depreciation	\$ 4,449,446	\$424,800	\$33,234	\$ -	\$ 4,841,012
Total Capital Assets Being Depreciated, Net	\$21,342,684	\$ 38,669	\$44,212	\$ 318,478	\$21,655,619
Governmental Activities-Capital Assets, Net	\$21,756,543	\$ 38,669	\$44,212	\$ -	\$21,751,000

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements - Continued

Sewer Fund Business-Type Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 8,460	\$ -	\$ -	\$ -	\$ 8,460
Construction in Progress	285,830	-	-	(285,830)	-
Total Capital Assets, Not Being Depreciated	\$ 294,290	\$ -	\$ -	\$(285,830)	\$ 8,460
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 177,357	\$ 6,350	\$ 8,343	\$ -	\$ 175,364
Buildings/Structures	525,573	193,918	142,929	-	576,562
Pipelines	6,184,672	618,544	82,070	285,830	7,006,976
Total Capital Assets, Being Depreciated	\$6,887,602	\$818,812	\$233,342	\$ 285,830	\$7,758,902
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 125,096	\$ 17,052	\$ 8,343	\$ -	\$ 133,805
Buildings/Structures	320,023	17,280	95,080	-	242,223
Pipelines	1,526,622	93,426	24,074	-	1,595,974
Total Accumulated Depreciation	\$1,971,741	\$127,758	\$127,497	\$ -	\$1,972,002
Total Capital Assets Being Depreciated, Net	\$4,915,861	\$691,054	\$105,845	\$ 285,830	\$5,786,900
Governmental Activities-Capital Assets, Net	\$5,210,151	\$691,054	\$105,845	\$ -	\$5,795,360

Total Business-Type Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 103,841	\$ -	\$ -	\$ -	\$ 103,841
Construction in Progress	604,308	-	-	(604,308)	-
Total Capital Assets, Not Being Depreciated	\$ 708,149	\$ -	\$ -	\$(604,308)	\$ 103,841
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 394,146	\$ 32,911	\$ 20,857	\$ -	\$ 406,200
Buildings/Structures	4,184,629	193,918	177,553	-	4,200,994
Pipelines	28,100,957	1,055,452	112,378	604,308	29,648,339
Total Capital Assets, Being Depreciated	\$32,679,732	\$1,282,281	\$310,788	\$ 604,308	\$34,255,533
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 227,309	\$ 47,896	\$ 20,857	\$ -	\$ 254,348
Buildings/Structures	1,826,316	109,351	108,930	-	1,826,737
Pipelines	4,367,562	395,311	30,944	-	4,731,929
Total Accumulated Depreciation	\$ 6,421,187	\$ 552,558	\$160,731	\$ -	\$ 6,813,014
Total Capital Assets Being Depreciated, Net	\$26,258,545	\$ 729,723	\$150,057	\$ 604,308	\$27,442,519
Governmental Activities-Capital Assets, Net	\$26,966,694	\$ 729,723	\$150,057	\$ -	\$27,546,360

Depreciation expense was charged to major enterprise funds (business-type activities) of the primary government as follows:

Business-Type Activities:	Amounts
Water	\$424,800
Sewer	127,758
Total Depreciation Expense - Governmental Activities	\$552,558

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements - Continued

NOTE 10: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in liabilities reported in long-term business-type liabilities:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
SWC Loan #1	\$ 684,985	\$ -	\$104,347	\$ 580,638	\$108,163
SWC Loan #2	505,425	-	70,290	435,135	72,861
SRF Loan	2,207,000	-	177,000	2,030,000	182,000
2007 Loan - Scooby's Point Sewer Improve.	256,728	-	20,677	236,051	21,954
Compensated Absences	42,251	21,762	22,581	41,432	16,572
Total Governmental Activities	\$3,696,389	\$21,762	\$394,895	\$3,323,256	\$401,550

Outstanding business-type activities debt at December 31, 2012 is comprised of the following individual issues:

Loans Payable:

\$2,100,000 Loan #1 from the State Water Commission for construction of the rural water system due in semi-annual installments of \$40,208 to \$61,784 through 2017 with interest at 3.625%. \$ 580,639

\$1,417,500 Loan #2 from the State Water Commission for construction of the rural water system due in semi-annual installments of \$27,085 to \$43,187 through 2018 with interest at 3.625%. 435,135

\$3,331,010 State Revolving Fund Loan for water system expansion project due in annual installments of \$154,010 to \$226,000 through 2022 with interest at 2.5%. 2,030,000

\$350,000 Scooby Point Loan for the Scooby sewer improvement project due in annual installments of \$18,098 to \$140,860 through 2017 with interest at 4.19%. 236,051

Total Loans Payable \$3,281,825

Debt service requirements on business-type activity long-term debt at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES								
Year Ending December 31	SWC Loan #1		SWC Loan #2		SRF Loan		Scooby's Point Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$108,163	\$20,077	\$ 72,861	\$15,119	\$ 182,000	\$ 50,750	\$ 21,954	\$11,652
2014	112,120	16,120	75,526	12,454	186,000	46,200	23,041	10,565
2015	116,221	12,019	78,288	9,692	191,000	41,550	24,181	9,425
2016	120,472	7,768	81,152	6,828	195,000	36,775	25,356	8,250
2017	123,662	3,361	127,308	4,642	200,000	31,900	141,519	7,700
2018 - 2022	-	-	-	-	1,076,000	82,000	-	-
Total	\$580,638	\$59,345	\$435,135	\$48,735	\$2,030,000	\$289,175	\$236,051	\$47,592

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2012 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on loans payable balances outstanding at December 31, 2012.

NOTE 13: PENSION PLAN

The Greater Ramsey Water District contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, ND, 58502-1214.

Plan members are required to contribute 5% of their annual covered salary. The Greater Ramsey Water District is required to contribute 6.26% of the employee's salary which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the district are established and may be amended by the State legislature. The Greater Ramsey Water District's contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010, were \$22,224, \$22,229, and \$21,783 respectively, equal to the required contributions for the year.

NOTE 14: RISK MANAGEMENT

The Greater Ramsey Water 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.

The Greater Ramsey Water District has insurance through Darwin National Assurance Company for Property, Commercial General Liability, Public Officials and Management Liability, and Automobile. The coverage by is limited to losses of a blanket limit of \$4,655,728 for real property and an additional one million coverage extension blanket limit, and three million dollars per occurrence for commercial general liability, one million dollars per occurrence for public officials and management liability, and automobile and one million dollars per occurrence for automobiles.

The State Bonding Fund through the North Dakota Insurance Department currently provides the Water District with blanket fidelity bond coverage in the amount of \$1,575,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Greater Ramsey Water District has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

STATE AUDITOR

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STATE CAPITOL
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Greater Ramsey Water District
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and each major fund of the Greater Ramsey Water District, Devils Lake, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Greater Ramsey Water District's basic financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Greater Ramsey Water District's internal control over financial reporting (internal control) to determine the 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 Greater Ramsey Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Ramsey Water 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2012-01].

GREATER RAMSEY WATER DISTRICT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greater Ramsey Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Greater Ramsey Water Resource District's Response to Findings

Greater Ramsey Water District's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Greater Ramsey Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 5, 2013

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Business-Type Activities
Major Business-Type Funds

Unmodified
Unmodified

Internal Control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? X Yes None reported

Noncompliance material to financial statements
noted? Yes X No

Section II - Financial Statement Findings

2012-01 - SEGREGATION OF DUTIES

Condition:

The Greater Ramsey Water District has one employee responsible for accounting functions and general ledger maintenance.

Criteria:

Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Water District.

Effect:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the Water District's financial condition.

Recommendation:

Due to the size and funding limitations of the Water District, we understand that it may not be feasible to obtain proper separation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the Water District do so. We further recommend that the Water District implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Client Response:

We agree with the recommendation. It is not economically feasible to hire additional staff. Greater Ramsey Water District has implemented some controls and will continue to develop formal procedures to implement additional controls to help mitigate the lack of segregation of duties.