

OFFICE OF STATE AUDITOR

AUDIT REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2011



GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2011

	<u>Page(s)</u>
District Officials	1
Independent Auditor's Report	2
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	3
Statement of Activities	4
Statement of Net Assets - Proprietary Funds	5
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	6
Statement of Cash Flows - Proprietary Funds	7
Notes to the Financial Statements	8 - 14
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	15 - 16
Schedule of Findings and Questioned Costs	17

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

LIST OF OFFICIALS

December 31, 2011

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

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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, 2011, which collectively comprise the Water District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Greater Ramsey Water District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted 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.

A handwritten signature in cursive script, appearing to read "Rob Peterson".

Robert R. Peterson
State Auditor

January 9, 2013

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Business-Type Activities
<u>ASSETS:</u>	
Cash	\$ 3,420,361
Accounts Receivable	97,912
Intergovernmental Receivable	99,937
Prepaid Postage	72
Transfer Account	581
Special Assessments Receivable	229,533
Restricted Assets:	
Investments	1,040,059
Capital Assets (not being depreciated):	
Land	103,841
Construction in Progress	604,308
Capital Assets (net of accumulated depreciation):	
Structures	2,358,313
Pipelines	23,733,394
Equipment	166,837
Total Capital Assets	<u>\$ 26,966,693</u>
Total Assets	<u>\$ 31,855,148</u>
<u>LIABILITIES:</u>	
Interest Payable	\$ 38,859
Rental Deposits	1,725
Retainages Payable	36,802
Other Payable	30
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	372,499
Compensated Absences	4,226
Due After One Year:	
Loans Payable	3,281,638
Compensated Absences	38,025
Total Liabilities	<u>\$ 3,773,804</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	\$ 23,312,556
Restricted for:	
Debt Service	1,269,592
Capital Projects	24,541
Unrestricted	<u>3,474,655</u>
Total Net Assets	<u>\$ 28,081,344</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, 2011

Functions/Programs	Expenses	Program Revenues		Total Business-Type Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Primary Government:</u>					
<u>Business-Type Activities:</u>					
Water System	\$ 826,873	\$ 1,314,228	\$ -	\$ 314,058	\$ 801,413
Sewer System	244,703	330,482	-	399,516	485,295
Building Fund	73,352	-	-	-	(73,352)
Total Business-Type Activities	\$1,144,928	\$ 1,644,710	\$ -	\$ 713,574	\$ 1,213,356
<u>General Revenues:</u>					
Earnings on Investments				\$ 30,141	
Miscellaneous Revenue				14,543	
Loss on Disposal of Capital Assets				(95,464)	
Total General Revenues				\$ (50,780)	
Change in Net Assets				\$ 1,162,576	
Net Assets - January 1				\$ 26,918,768	
Net Assets - December 31				\$ 28,081,344	

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

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
ASSETS				
<u>Current Assets:</u>				
Cash	\$ 2,738,146	\$ 657,674	\$ 24,541	\$ 3,420,361
Accounts Receivable	77,775	20,137	-	97,912
Intergovernmental Receivable	40,689	59,248	-	99,937
Transfer Account	436	145	-	581
Prepaid Postage	-	72	-	72
<u>Restricted Assets:</u>				
Investments	790,059	250,000	-	1,040,059
Total Current Assets	<u>\$ 3,647,105</u>	<u>\$ 987,276</u>	<u>\$ 24,541</u>	<u>\$ 4,658,922</u>
<u>Noncurrent Assets:</u>				
Special Assessments Receivable	\$ -	\$ 229,533	\$ -	\$ 229,533
Capital Assets (not being depreciated)				
Land	95,381	8,460	-	103,841
Construction In Progress	318,478	285,830	-	604,308
Capital Assets (net of accumulated depreciation):				
Structures	2,152,763	205,550	-	2,358,313
Pipelines	19,075,345	4,658,049	-	23,733,394
Equipment	114,575	52,262	-	166,837
Total Capital Assets	<u>\$21,756,542</u>	<u>\$ 5,210,151</u>	<u>\$ -</u>	<u>\$26,966,693</u>
Total Noncurrent Assets	<u>\$21,756,542</u>	<u>\$ 5,439,684</u>	<u>\$ -</u>	<u>\$27,196,226</u>
Total Assets	<u>\$25,403,647</u>	<u>\$ 6,426,960</u>	<u>\$ 24,541</u>	<u>\$31,855,148</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Interest Payable	\$ 29,180	\$ 9,679	\$ -	\$ 38,859
Rental Deposits	1,725	-	-	1,725
Retainages Payable	18,760	18,042	-	36,802
Other Payable	30	-	-	30
Loans Payable	351,636	20,863	-	372,499
Compensated Absences	2,958	1,268	-	4,226
Total Current Liabilities	<u>\$ 404,289</u>	<u>\$ 49,852</u>	<u>\$ -</u>	<u>\$ 454,141</u>
<u>Noncurrent Liabilities:</u>				
Loans Payable	\$ 3,045,773	\$ 235,865	\$ -	\$ 3,281,638
Compensated Absences	26,618	11,407	-	38,025
Total Noncurrent Liabilities	<u>\$ 3,072,391</u>	<u>\$ 247,272</u>	<u>\$ -</u>	<u>\$ 3,319,663</u>
Total Liabilities	<u>\$ 3,476,680</u>	<u>\$ 297,124</u>	<u>\$ -</u>	<u>\$ 3,773,804</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 18,359,133	\$ 4,953,423	\$ -	\$ 23,312,556
Restricted for:				
Debt Service	790,059	479,533	-	1,269,592
Capital Projects	-	-	24,541	24,541
Unrestricted	2,777,775	696,880	-	3,474,655
Total Net Assets	<u>\$21,926,967</u>	<u>\$ 6,129,836</u>	<u>\$ 24,541</u>	<u>\$28,081,344</u>

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 ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Funds	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 1,314,228	\$ 330,482	\$ -	\$ 1,644,710
<u>Operating Expenses:</u>				
Shop/Office Building	\$ 4,632	\$ 1,544	\$ 73,352	\$ 79,528
Administrative	117,441	35,993	-	153,434
Water Operation	63,268	-	-	63,268
Water Treatment Plant	89,694	-	-	89,694
Carrington Water Distribution	24,283	-	-	24,283
Sewer Operations	-	84,123	-	84,123
Depreciation Expense	411,725	110,092	-	521,817
Total Operating Expenses	\$ 711,043	\$ 231,752	\$ 73,352	\$ 1,016,147
Operating Income (Loss)	\$ 603,185	\$ 98,730	\$ (73,352)	\$ 628,563
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	\$ 25,367	\$ 4,471	\$ 303	\$ 30,141
Gain (Loss) on Disposal of Capital Assets	-	(95,464)	-	(95,464)
Capital Contribution	314,058	399,516	-	713,574
Hookup Fees	640	11,250	-	11,890
Miscellaneous	1,307	1,345	-	2,652
Interest and Service Charges	(115,829)	(12,951)	-	(128,780)
Total Non-Operating Revenues (Expenses)	\$ 225,543	\$ 308,167	\$ 303	\$ 534,013
Change in Net Assets	\$ 828,728	\$ 406,897	\$ (73,049)	\$ 1,162,576
Total Net Assets - January 1	\$ 21,098,239	\$ 5,722,939	\$ 97,590	\$ 26,918,768
Total Net Assets - December 31	\$ 21,926,967	\$ 6,129,836	\$ 24,541	\$ 28,081,344

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, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 1,313,628	\$ 327,279	\$ -	\$ 1,640,907
Cash Payments to Suppliers for Goods and Services	(59,214)	(46,230)	(73,352)	(178,796)
Cash Payments to Employees for Services	(222,421)	(67,164)	-	(289,585)
Net Cash Provided by Operating Activities	<u>\$ 1,031,993</u>	<u>\$ 213,885</u>	<u>\$ (73,352)</u>	<u>\$ 1,172,526</u>
<u>Cash Flows from Non-capital and Related Financing Activities:</u>				
Miscellaneous Revenues	\$ 1,949	\$ 12,595	\$ -	\$ 14,544
Net Cash Provided (Used) by Non-capital and Related Financing Activities	<u>\$ 1,949</u>	<u>\$ 12,595</u>	<u>\$ -</u>	<u>\$ 14,544</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	\$ (489,192)	\$ (483,340)	\$ -	(972,532)
Capital Contribution	379,202	361,179	-	740,381
Principal - Paid Loan	(343,474)	(19,912)	-	(363,386)
Interest Paid	(118,814)	(13,694)	-	(132,508)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (572,278)</u>	<u>\$ (155,767)</u>	<u>\$ -</u>	<u>\$ (728,045)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase/Sale of Investments	\$ (10,927)	\$ -	\$ -	\$ (10,927)
Interest Received	25,367	4,471	303	30,141
Net Cash Provided (Used) by Investing Activities	<u>\$ 14,440</u>	<u>\$ 4,471</u>	<u>\$ 303</u>	<u>\$ 19,214</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 476,104</u>	<u>\$ 75,184</u>	<u>\$ (73,049)</u>	<u>\$ 478,239</u>
Cash and Cash Equivalents, January 1	<u>\$ 2,262,042</u>	<u>\$ 582,490</u>	<u>\$ 97,590</u>	<u>\$ 2,942,122</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,738,146</u>	<u>\$ 657,674</u>	<u>\$ 24,541</u>	<u>\$ 3,420,361</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$ 603,185	\$ 98,730	\$ (73,352)	\$ 628,563
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation Expense	\$ 411,725	\$ 110,092	\$ -	\$ 521,817
Change in Assets and Liabilities:				
Increase in Transfer Account	(45)	17	-	(28)
Decrease in Prepaid Postage	181	6	-	187
Increase in Other Liability	30	-	-	30
Decrease in Rental Deposits	(225)	-	-	(225)
Increase in Accounts Receivable	(736)	(3,226)	-	(3,962)
Increase in Retainages Payable	18,760	18,042	-	36,802
Decrease in Accounts Payable	(5,749)	(11,862)	-	(17,611)
Increase in Compensated Absence	4,867	2,086	-	6,953
Total Adjustments	<u>\$ 428,808</u>	<u>\$ 115,155</u>	<u>\$ -</u>	<u>\$ 543,963</u>
Net Cash Provided by Operating Activities	<u>\$ 1,031,993</u>	<u>\$ 213,885</u>	<u>\$ (73,352)</u>	<u>\$ 1,172,526</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, 2011

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 assets 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 Ramsey County Rural Utilities.

Sewer System Fund. This fund accounts for the operation and maintenance of the sewer system of Ramsey County Rural Utilities.

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 assets 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The district has elected not to follow subsequent private-sector guidance.

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 assets.

G. Net Asset Equity

Invested in capital assets, net of related debt, is reported for capital assets less accumulated depreciation and any related debt (bonds 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.

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.

Restrictions of net assets equity, shown in the Statement of Net Assets, are due to restricted bond indenture requirements for capital projects and debt service as outlined in the statement of net assets.

Unrestricted net assets equity is primarily unrestricted amounts related to the water and sewer funds. The unrestricted net assets are 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.

At year ended December 31, 2011, the Water District's carrying amount of deposits was \$4,460,420 and the bank balance was \$4,514,380. Of the bank balances, \$750,238 was covered by Federal Depository Insurance, and the remaining bank balances totaling \$3,710,181, 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, 2011, the Water District held certificates of deposit in the amount of \$1,040,059 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 by private individuals for billings for water and sewer services.

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

The special assessments receivable consists of uncertified and certified special assessments levied by the Water District for specific capital projects.

The county treasurer acts as an agent to collect special assessments certified to the county for all taxing authorities. Any material special assessment collections are distributed after the end of each month.

Certified special assessments are levied as of January 1. The special assessments attach as an enforceable lien on property on January 1. The special assessments are due by March 1.

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements - Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011:

Prior periods included assets that were below the capitalization policy amounts.

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	\$ 103,841	\$ 604,308	\$ -	\$ -	\$ 708,149
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 382,444	\$ 15,400	\$ 3,700	\$ -	\$ 394,144
Buildings/Structures	4,122,135	92,495	30,000	-	4,184,630
Pipelines	27,952,385	260,328	111,756	-	28,100,957
Total Capital Assets, Being Depreciated	\$32,456,964	\$ 368,223	\$145,456	\$ -	\$32,679,731
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 188,945	\$ 42,064	\$ 3,700	\$ -	\$ 227,309
Buildings/Structures	1,736,242	105,073	15,000	-	1,826,315
Pipelines	4,024,175	374,680	31,292	-	4,367,563
Total Accumulated Depreciation	\$ 5,949,362	\$ 521,817	\$ 49,992	\$ -	\$ 6,421,187
Total Capital Assets Being Depreciated, Net	\$26,507,602	\$(153,594)	\$ 95,464	\$ -	\$26,258,544
Governmental Activities-Capital Assets, Net	\$26,611,443	\$ 450,714	\$ 95,464	\$ -	\$26,966,693

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

Business-Type Activities:	Amounts
Water	\$411,725
Sewer	110,092
Total Depreciation Expense - Governmental Activities	\$521,817

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2011, 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	\$ 785,649	\$ -	\$100,664	\$ 684,985	\$104,346
SWC Loan #2	573,234	-	67,809	505,425	70,290
SRF Loan	2,382,000	-	175,000	2,207,000	177,000
2007 Loan - Scooby's Point Sewer Impr.	276,640	-	19,912	256,728	20,863
Compensated Absences *	35,298	6,953	-	42,251	4,225
Total Governmental Activities	\$4,052,821	\$6,953	\$363,385	\$3,696,389	\$376,724

* Change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements - Continued

Outstanding business-type activities debt at December 31, 2011 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%. \$ 684,985

\$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%. 505,425

\$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%. 2,207,000

\$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%. 256,728

Total Loans Payable \$3,654,138

Debt service requirements on business-type activity long-term debt at December 31, 2011 are as follows:

BUSINESS-TYPE ACTIVITIES								
Year Ending Dec. 31	SW Constr. Loan #1		SW Constr. Loan #2		State Revolving Fund Loan		Scooby Point Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$104,346	\$23,894	\$70,290	\$17,690	\$ 177,000	\$ 55,175	\$ 20,863	\$12,743
2013	108,163	20,077	72,861	15,119	182,000	50,750	21,931	11,675
2014	112,120	16,120	75,526	12,454	186,000	46,200	23,016	10,590
2015	116,221	12,019	78,288	9,692	191,000	41,550	24,156	9,450
2016	120,472	7,768	81,152	8,628	195,000	36,775	25,329	8,277
2017-2021	123,663	3,361	127,308	4,642	1,050,000	108,250	141,433	7,001
2022-2026	-	-	-	-	226,000	5,650	-	-
TOTALS	\$684,985	\$83,239	\$505,425	\$68,225	\$2,207,000	\$344,350	\$256,728	\$59,736

NOTE 7: 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 4% of their annual covered salary. The Greater Ramsey Water District is required to contribute 5.26% of the employee's salary which consists of 4.26% for employee retirement and 1% 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, 2011, 2010, and 2009, were \$12,627, \$12,374, and \$11,640 respectively, equal to the required contributions for the year.

NOTE 8: 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Greater Ramsey Water District pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$133,287 for public assets coverage.

The Greater Ramsey Water District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Water District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Water District with blanket fidelity bond coverage in the amount of \$15,000,000 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.

NOTE 9: RESTRICTED CASH AND INVESTMENTS

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	\$ 790,059
Sewer Fund	250,000
TOTAL RESERVE	\$1,040,059

NOTE 10: OPEN CONSTRUCTION PROJECTS

As of December 31, 2011, the Greater Ramsey Water District had the following open construction commitments:

Project	Original Contract	Change Orders	Total Contract w/Change Orders	Total Completed	Retainage	Remaining Balance w/Retainages
Hwy. 19 Water & Sewer Relocation	\$481,333	\$ -	\$481,333	\$476,953	\$24,067	\$28,447
Acorn Ridge Subdivision Expansion	167,547	-	167,547	127,355	12,736	52,928
Total	\$648,880	\$ -	\$648,880	\$604,308	\$36,803	\$81,375

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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 the financial statements of the business-type activities and each major fund of Greater Ramsey Water District, Devils Lake, North Dakota as of and for the year ended December 31, 2011, which collectively comprise the Water District's basic financial statements and have issued our report thereon dated January 9, 2013. 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.

Internal Control Over Financial Reporting

Management of Greater Ramsey Water District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Greater Ramsey Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Ramsey Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Greater Ramsey Water District's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs as item 2011-01* that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Ramsey Water District's financial statements are free of 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 District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Greater Ramsey Water District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the water district governing board, and others within the water district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

January 9, 2013

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Business-Type Activities
Major Business-Type Funds

Unqualified
Unqualified

Internal Control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Reportable conditions 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

2011-1 - 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:

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.
