

# Greater Ramsey Water District

Devils Lake, North Dakota

## Audit Report

For the Year Ended  
December 31, 2014



ROBERT R. PETERSON  
STATE AUDITOR

Office of the State Auditor

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GREATER RAMSEY WATER DISTRICT  
Devils Lake, North Dakota

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For the Year Ended December 31, 2014

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GREATER RAMSEY WATER DISTRICT  
Devils Lake, North Dakota

**LIST OF OFFICIALS**

December 31, 2014

Paul Becker	President
David Hovendick	Vice President
Les Windjue	Board Member
Doug Mohr	Board Member
Gilbert Black	Board Member
Jay Klemetsrud	Board Member
Gerald Nelson	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

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INDEPENDENT AUDITOR'S REPORT

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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, 2014, 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, 2014, 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 June 8, 2015 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  
June 8, 2015

GREATER RAMSEY WATER DISTRICT  
Devils Lake, North Dakota

STATEMENT OF NET POSITION  
December 31, 2014

	Business-Type Activities
<b><u>ASSETS:</u></b>	
Cash	\$ 3,851,832
Investments	331,424
Utility Billings Receivable	101,398
Notes Receivable	10,000
Prepaid Postage	110
Other Assets	35
Long-Term Receivables:	
Uncertified Special Assessments Receivable	143,461
Notes Receivable	600
Restricted Assets:	
Cash	847,294
Investments	712,995
Capital Assets:	
<i>Not Being Depreciated</i>	
Land	113,841
Construction in Progress	1,139,315
<i>Being Depreciated</i>	
Structures	2,415,734
Pipelines	24,396,423
Equipment	189,599
Total Capital Assets	<u>\$ 28,254,912</u>
Total Assets	<u>\$ 34,254,061</u>
<b><u>LIABILITIES:</u></b>	
Accounts Payable	\$ 35,930
Interest Payable	26,934
Rental Deposits	3,910
Other Liability	54
Retainages Payable	65,425
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	409,691
Compensated Absences	19,833
Due After One Year:	
Loans Payable	2,091,058
Compensated Absences	29,751
Total Liabilities	<u>\$ 2,682,586</u>
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	\$ 25,754,163
Restricted for:	
Debt Service	1,703,750
Unrestricted	<u>4,113,562</u>
Total Net Position	<u>\$ 31,571,475</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, 2014

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	\$ 982,416	\$ 1,372,080	\$ 16,182	\$ 972,794	\$ 1,378,640
Sewer System	285,336	310,381	2,842	12,954	40,841
Building Fund	6,528	-	79,697	-	73,169
Interest on Long-Term Debt	90,203	-	-	-	(90,203)
<b>Total Business-Type Activities</b>	<b>\$1,364,483</b>	<b>\$ 1,682,461</b>	<b>\$ 98,721</b>	<b>\$ 985,748</b>	<b>\$ 1,402,447</b>
<u>General Revenues:</u>					
Earnings on Investments					\$ 17,555
Miscellaneous Revenue					6,983
<b>Total General Revenues</b>					<b>\$ 24,538</b>
<b>Change in Net Position</b>					<b>\$ 1,426,985</b>
Net Position - January 1					\$ 30,144,634
Prior Period Adjustment					(144)
<b>Net Position - January 1, as restated</b>					<b>\$ 30,144,490</b>
<b>Net Position - December 31</b>					<b>\$ 31,571,475</b>

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 2,860,900	\$ 990,932	\$ -	\$ 3,851,832
Investments	81,424	250,000	-	331,424
Utility Billings Receivable	81,977	19,421	-	101,398
Notes Receivable	-	-	10,000	10,000
Prepaid Postage	-	110	-	110
Other Assets	-	35	-	35
Due from Other Funds	25,626	-	-	25,626
<b>Restricted Assets:</b>				
Cash	847,294	-	-	847,294
Investments	712,995	-	-	712,995
<b>Total Current Assets</b>	<b>\$ 4,610,216</b>	<b>\$ 1,260,498</b>	<b>\$ 10,000</b>	<b>\$ 5,880,714</b>
<b>Noncurrent Assets:</b>				
Uncertified Special Assessments Receivable	\$ -	\$ 143,461	\$ -	\$ 143,461
Loan Receivable	600	-	-	600
<b>Capital Assets (not being depreciated):</b>				
Land	105,381	8,460	-	113,841
Construction In Progress	1,139,315	-	-	1,139,315
<b>Capital Assets (net of accumulated depreciation):</b>				
Structures	1,975,721	440,013	-	2,415,734
Pipelines	19,099,674	5,296,749	-	24,396,423
Equipment	156,845	32,754	-	189,599
<b>Total Capital Assets</b>	<b>\$ 22,476,936</b>	<b>\$ 5,777,976</b>	<b>\$ -</b>	<b>\$ 28,254,912</b>
<b>Total Noncurrent Assets</b>	<b>\$ 22,477,536</b>	<b>\$ 5,921,437</b>	<b>\$ -</b>	<b>\$ 28,398,973</b>
<b>Total Assets</b>	<b>\$ 27,087,752</b>	<b>\$ 7,181,935</b>	<b>\$ 10,000</b>	<b>\$ 34,279,687</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 35,214	\$ 716	\$ -	\$ 35,930
Interest Payable	19,714	7,220	-	26,934
Rental Deposits	3,910	-	-	3,910
Other Liability	54	-	-	54
Retainage Payable	65,425	-	-	65,425
Due to Other Funds	-	-	25,626	25,626
Loans Payable	385,510	24,181	-	409,691
Compensated Absences	14,875	4,958	-	19,833
<b>Total Current Liabilities</b>	<b>\$ 524,702</b>	<b>\$ 37,075</b>	<b>\$ 25,626</b>	<b>\$ 587,403</b>
<b>Noncurrent Liabilities:</b>				
Loans Payable	\$ 1,923,594	\$ 167,464	\$ -	\$ 2,091,058
Compensated Absences	22,313	7,438	-	29,751
<b>Total Noncurrent Liabilities</b>	<b>\$ 1,945,907</b>	<b>\$ 174,902</b>	<b>\$ -</b>	<b>\$ 2,120,809</b>
<b>Total Liabilities</b>	<b>\$ 2,470,609</b>	<b>\$ 211,977</b>	<b>\$ 25,626</b>	<b>\$ 2,708,212</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 20,167,832	\$ 5,586,331	\$ -	\$ 25,754,163
<b>Restricted for:</b>				
Debt Service	1,560,289	143,461	-	1,703,750
Unrestricted	2,889,022	1,240,166	(15,626)	4,113,562
<b>Total Net Position</b>	<b>\$ 24,617,143</b>	<b>\$ 6,969,958</b>	<b>\$ (15,626)</b>	<b>\$ 31,571,475</b>

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 1,372,080	\$ 310,381	\$ -	\$ 1,682,461
<u>Operating Expenses:</u>				
Water Operation	\$ 527,288	\$ -	\$ -	\$ 527,288
Sewer Operations	-	151,084	-	151,084
Depreciation Expense	435,355	134,252	-	569,607
Total Operating Expenses	\$ 962,643	\$ 285,336	\$ -	\$ 1,247,979
Operating Income (Loss)	\$ 409,437	\$ 25,045	\$ -	\$ 434,482
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	\$ 13,820	\$ 3,735	\$ -	\$ 17,555
Grant Reimbursements	16,182	2,842	79,697	98,721
Capital Contribution	972,794	12,954	-	985,748
Miscellaneous Revenues	6,016	967	-	6,983
Miscellaneous Expenses	(19,773)	-	(6,528)	(26,301)
Interest Expense on Long-Term Debt	(80,299)	(9,904)	-	(90,203)
Total Non-Operating Revenues (Expenses)	\$ 908,740	\$ 10,594	\$ 73,169	\$ 992,503
Change in Net Position	\$ 1,318,177	\$ 35,639	\$ 73,169	\$ 1,426,985
Total Net Position - January 1	\$ 23,270,519	\$ 6,962,910	\$ (88,795)	\$ 30,144,634
Prior Period Adjustment	28,447	(28,591)	-	(144)
Net Position - January 1, As Restated	\$ 23,298,966	\$ 6,934,319	\$ (88,795)	\$ 30,144,490
Total Net Position - December 31	\$ 24,617,143	\$ 6,969,958	\$ (15,626)	\$ 31,571,475

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 1,371,779	\$ 311,738	\$ -	\$ 1,683,517
Cash Payments to Suppliers for Goods and Services	(130,685)	(121,219)	-	(251,904)
Cash Payments to Employees for Services	(291,202)	(27,714)	-	(318,916)
Net Cash Provided by Operating Activities	<u>\$ 949,892</u>	<u>\$ 162,805</u>	<u>\$ -</u>	<u>\$ 1,112,697</u>
<u>Cash Flows from Non-capital and Related Financing Activities:</u>				
Miscellaneous Revenues	\$ 6,016	\$ 780	\$ -	\$ 6,796
Operating Grants	16,182	2,842	79,697	98,721
Miscellaneous Expenses	(19,773)	-	(6,528)	(26,301)
Transfers from Other Funds	108,795	-	25,626	134,421
Transfers to Other Funds	(25,626)	-	(108,795)	(134,421)
Net Cash Provided (Used) by Non-capital and Related Financing Activities	<u>\$ 85,594</u>	<u>\$ 3,622</u>	<u>\$ (10,000)</u>	<u>\$ 79,216</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	\$ (1,255,161)	\$ (50,365)	\$ -	\$ (1,305,526)
Capital Contribution	972,794	29,975	-	1,002,769
Principal - Paid Loan	(373,646)	(22,841)	-	(396,487)
Interest on Long-Term Debt	(83,550)	(9,044)	-	(92,594)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (739,563)</u>	<u>\$ (52,275)</u>	<u>\$ -</u>	<u>\$ (791,838)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase/Sale of Investments	\$ (1,032)	\$ -	\$ -	\$ (1,032)
Loan Issued	(800)	-	-	(800)
Loan Payments Received	200	-	10,000	10,200
Interest Received	13,820	3,735	-	17,555
Net Cash Provided (Used) by Investing Activities	<u>\$ 12,188</u>	<u>\$ 3,735</u>	<u>\$ 10,000</u>	<u>\$ 25,923</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 308,111</u>	<u>\$ 117,887</u>	<u>\$ -</u>	<u>\$ 425,998</u>
Cash and Cash Equivalents, January 1	<u>\$ 3,400,083</u>	<u>\$ 873,045</u>	<u>\$ -</u>	<u>\$ 4,273,128</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,708,194</u>	<u>\$ 990,932</u>	<u>\$ -</u>	<u>\$ 4,699,126</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$ 409,437	\$ 25,045	\$ -	\$ 434,482
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation Expense	\$ 435,355	\$ 134,252	\$ -	\$ 569,607
Change in Assets and Liabilities:				
Change in Prepaid Postage	-	(85)	-	(85)
Change in Rental Deposits	881	-	-	881
Change in Utility Billings Receivable	(1,182)	1,322	-	140
Change in Retainages Payable	65,425	-	-	65,425
Change in Accounts Payable	25,889	(1,916)	-	23,973
Change in Other Liabilities	54	-	-	54
Loss on Capital Assets	10,332	2,918	-	13,250
Change in Other Assets	-	35	-	35
Change in Compensated Absence	3,701	1,234	-	4,935
Total Adjustments	<u>\$ 540,455</u>	<u>\$ 137,760</u>	<u>\$ -</u>	<u>\$ 678,215</u>
Net Cash Provided by Operating Activities	<u>\$ 949,892</u>	<u>\$ 162,805</u>	<u>\$ -</u>	<u>\$ 1,112,697</u>

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

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GREATER RAMSEY WATER DISTRICT  
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014

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**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 business type 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. The primary source of revenues are charges for water operations from customers.

*Sewer System Fund.* This fund accounts for the operation and maintenance of the sewer system of the Greater Ramsey Water District. The primary source of revenues are charges for sewer operations from customers.

*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 use unrestricted 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 with maturities in excess of three months.

#### 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.

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

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

	<b>Years</b>
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

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.

At year ended December 31, 2014, the Water District's carrying amount of deposits was \$5,742,702 and the bank balance was \$5,796,769. Of the bank balances, \$750,000 was covered by Federal Depository Insurance, and the remaining bank balances totaling \$5,046,769 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, 2014, the Water District held certificates of deposit in the amount of \$1,044,419 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: UTILITY BILLINGS RECEIVABLE**

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

**NOTE 4: NOTE RECEIVABLE**

Outstanding business-type activities long-term note receivable at December 31, 2014 is comprised of the following individual issue:

\$40,000 Note 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. \$10,000

<b>BUSINESS-TYPE ACTIVITES</b>	
Year Ending December 31	Contract Receivable
	Principal
2015	\$10,000
Total	\$10,000

**NOTE 5: DUE TO / FROM OTHER FUNDS**

The due to other funds reported in the building fund represents the amount of negative cash at year-end that was covered by the water fund (\$25,626).

**NOTE 6: 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.

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

**NOTE 7: 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:

<b>Water Fund:</b>	<b>Amounts</b>
Cash	\$ 847,294
Investments	712,995
<b>Total Reserve</b>	<b>\$1,560,289</b>

**NOTE 8: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2014:

<b>Water Fund Business-Type Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 95,381	\$ 10,000	\$ -	\$ 105,381
Construction in Progress	13,257	1,126,058	-	1,139,315
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 108,638</b>	<b>\$1,136,058</b>	<b>\$ -</b>	<b>\$ 1,244,696</b>
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 255,968	\$ 79,460	\$22,841	\$ 312,587
Buildings/Structures	3,752,946	-	-	3,752,946
Pipelines	22,811,022	39,644	7,720	22,842,946
<b>Total Capital Assets, Being Depreciated</b>	<b>\$26,819,936</b>	<b>\$ 119,104</b>	<b>\$30,561</b>	<b>\$26,908,479</b>
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 139,588	\$ 34,427	\$18,273	\$ 155,742
Buildings/Structures	1,680,870	96,355	-	1,777,225
Pipelines	3,440,655	304,573	1,956	3,743,272
<b>Total Accumulated Depreciation</b>	<b>\$ 5,261,113</b>	<b>\$ 435,355</b>	<b>\$20,229</b>	<b>\$ 5,676,239</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$21,558,824</b>	<b>\$ (316,251)</b>	<b>\$10,332</b>	<b>\$21,232,240</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$21,667,462</b>	<b>\$ 819,807</b>	<b>\$10,332</b>	<b>\$22,476,936</b>

<b>Sewer Fund Business-Type Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,460	\$ -	\$ -	\$ 8,460
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 8,460</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,460</b>
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 175,551	\$ 19,365	\$ 9,789	\$ 185,126
Buildings/Structures	714,124	-	-	714,124
Pipelines	7,051,108	31,000	1,413	7,080,695
<b>Total Capital Assets, Being Depreciated</b>	<b>\$7,940,783</b>	<b>\$ 50,365</b>	<b>\$11,202</b>	<b>\$7,979,945</b>
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 144,555	\$ 15,649	\$ 7,831	\$ 152,373
Buildings/Structures	249,917	24,194	-	274,111
Pipelines	1,689,989	94,409	452	1,783,946
<b>Total Accumulated Depreciation</b>	<b>\$2,084,461</b>	<b>\$134,252</b>	<b>\$ 8,283</b>	<b>\$2,210,430</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$5,856,322</b>	<b>\$ (83,887)</b>	<b>\$ 2,919</b>	<b>\$5,769,516</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$5,864,782</b>	<b>\$ (83,887)</b>	<b>\$ 2,919</b>	<b>\$5,777,976</b>

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

<b>Total Business-Type Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 103,841	\$ 10,000	\$ -	\$ 113,841
Construction in Progress	13,257	1,126,058	-	1,139,315
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 117,098</b>	<b>\$1,136,058</b>	<b>\$ -</b>	<b>\$ 1,253,136</b>
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 431,519	\$ 98,825	\$32,630	\$ 497,714
Buildings/Structures	4,467,070	-	-	4,467,070
Pipelines	29,862,130	70,644	9,133	29,923,641
<b>Total Capital Assets, Being Depreciated</b>	<b>\$34,760,719</b>	<b>\$ 169,469</b>	<b>\$41,763</b>	<b>\$34,888,425</b>
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 284,143	\$ 50,076	\$26,104	\$ 308,115
Buildings/Structures	1,930,787	120,549	-	2,051,336
Pipelines	5,130,644	398,982	2,408	5,527,218
<b>Total Accumulated Depreciation</b>	<b>\$ 7,345,574</b>	<b>\$ 569,607</b>	<b>\$28,512</b>	<b>\$ 7,886,669</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$27,415,145</b>	<b>\$ (400,138)</b>	<b>\$13,251</b>	<b>\$27,001,756</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$27,532,243</b>	<b>\$ 735,920</b>	<b>\$13,251</b>	<b>\$28,254,912</b>

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

<b>Business-Type Activities:</b>	<b>Amounts</b>
Water	\$435,355
Sewer	134,252
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$569,607</b>

**NOTE 9: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2014, the following changes occurred in liabilities reported in long-term business-type liabilities:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
SWC Loan #1	\$ 472,475	\$ -	\$112,120	\$ 360,355	\$116,221
SWC Loan #2	362,274	-	75,526	286,748	78,289
SRF Loan	1,848,000	-	186,000	1,662,000	191,000
2007 Loan - Scooby's Point Sewer Impr.	214,486	-	22,841	191,645	24,181
Compensated Absences *	44,649	4,935	-	49,584	19,833
<b>Total Governmental Activities</b>	<b>\$2,941,884</b>	<b>\$4,935</b>	<b>\$396,487</b>	<b>\$2,550,332</b>	<b>\$429,524</b>

Outstanding business-type activities debt at December 31, 2014 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%. \$ 360,355

CONTINUED ON NEXT PAGE....

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

**Loans Payable: (Cont'd)**

\$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%. \$ 286,748

\$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%. 1,662,000

\$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%. 191,645

Total Loans Payable \$2,500,748

Debt service requirements on business-type activity long-term debt at December 31, 2014 are as follows:

GOVERNMENTAL ACTIVITIES								
Year Ending	SWC Loan #1		SWC Loan #2		SRF Loan		Scooby's Point Loan	
December 31	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$116,221	\$12,019	\$ 78,288	\$ 9,692	\$ 191,000	\$ 41,550	\$24,463	\$9,144
2016	120,472	7,768	81,152	8,628	195,000	36,775	25,652	7,954
2017	123,662	3,361	127,308	4,642	200,000	31,900	141,530	8,077
2018	-	-	-	-	205,000	26,900	-	-
2019	-	-	-	-	210,000	21,775	-	-
2020 - 2023	-	-	-	-	661,000	33,325	-	-
Total	\$360,355	\$23,148	\$286,748	\$21,162	\$1,662,000	\$192,225	\$191,645	\$25,175

**NOTE 10: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2014 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

**NOTE 11: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on loans payable balances outstanding at December 31, 2014.

**NOTE 12: RENTAL DEPOSITS**

Rental deposits consist of amounts in the water system fund that people have put on deposit for water meters and are outstanding at December 31, 2014.

**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.

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

Plan members are required to contribute 7% of their annual covered salary. The Water District is required to contribute 8.26% of the employee's salary which consists of 7.12% 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 Water District's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$22,144, \$18,385, and \$12,624, and actual contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$40,901, \$33,859, and \$22,224.

**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 \$4,685,919 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.

**NOTE 15: NEGATIVE NET POSITION - BUILDING**

The Greater Ramsey Water District's Building fund reported a negative fund balance/net position at December 31, 2014 totaling (\$15,626). The negative fund balance/net position is expected to be relieved by transfers from the water and sewer operations. Additionally, this fund had negative (\$25,626) cash at December 31, 2014.

**NOTE 16: CONSTRUCTION COMMITMENTS**

The Greater Ramsey Water District had open construction commitments as of December 31, 2014 as follows:

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
System Upgrades – Construct:				
System Upgrades - #1 Contract	\$ 210,457	\$160,552	\$10,523	\$ 49,904
System Upgrades - #2 Contract	2,721,149	549,019	54,902	2,172,130
Total Commitments	\$2,931,606	\$709,571	\$65,425	\$2,222,034

**GREATER RAMSEY WATER DISTRICT**  
Notes to the Financial Statements - Continued

Retainages payable – The above contracts had retainages payable of \$64,425 at December 31, 2014 that is reported in the water system fund, and at the government wide level for business-type enterprise activities.

**NOTE 17: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments to beginning net position for the water system were necessary to properly restate the amount of beginning capital assets for capital assets cost and accumulated depreciation. The net changes to capital assets and net position were an increase of \$28,447 to beginning net position as outlined below:

<b>Water System:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$23,270,519
<b>Adjustments to restate the January 1, 2014 Net Position:</b>	
Capital Assets – pipelines cost	13,894
Capital Assets – CIP cost	13,257
Capital Assets – decrease equip. accumulated depreciation	2,035
Capital Assets – increase pipelines accumulated depreciation	(739)
<b>Net Position January 1, 2014 as restated</b>	<b>\$23,298,966</b>

Prior period adjustments to beginning net position for the sewer system were necessary to properly restate loans receivable and special assessments receivable. The net change to net position was a decrease of (\$28,591) as outlined below:

<b>Sewer System:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$6,962,910
<b>Adjustments to restate the January 1, 2014 Net Position:</b>	
Special assessments receivable	(28,202)
Loans receivable	(389)
<b>Net Position January 1, 2014 as restated</b>	<b>\$6,934,319</b>

Total net adjustments at the government wide level are outlined as follows:

<b>Enterprise Activities:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$30,144,634
<b>Adjustments to restate the January 1, 2014 Net Position:</b>	
Sewer System – special assessments receivable	(28,202)
Sewer System – loans receivable	(389)
Capital Assets – pipelines cost	13,894
Capital Assets – CIP cost	13,257
Capital Assets – decrease equip. accumulated depreciation	2,035
Capital Assets – increase pipelines accumulated depreciation	(739)
<b>Net Position January 1, 2014 as restated</b>	<b>\$30,144,490</b>

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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*

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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, 2014, 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 June 8, 2015.

**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 [2014-01].

**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

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**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  
June 8, 2015

GREATER RAMSEY WATER DISTRICT  
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014

**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   None noted

Significant deficiencies identified not considered  
to be material weaknesses?   X   Yes            No

Noncompliance material to financial statements  
noted?            Yes   X   None noted

**Section II - Financial Statement Findings**

**2014-01 - 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.

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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 the Greater Ramsey Water District, Devils Lake, North Dakota, for the year ended December 31, 2014 which collectively comprise the Greater Ramsey Water District's basic financial statements and have issued our report thereon dated June 8, 2015. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated April 23, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

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 opinion 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.

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 grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Greater Ramsey Water District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented 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 estimate affecting the financial statements is useful lives of capital assets.

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter 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 June 8, 2015.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

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

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**OTHER AUDIT FINDINGS OR ISSUES**

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

This information is intended solely for the use of the Governing Board and management of the Greater Ramsey Water District and is not intended to be and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Greater Ramsey Water District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Greater Ramsey Water District.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
June 8, 2015

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