



Greater Ramsey Water District

Devils Lake, North Dakota

Audit Report

For the Year Ended December 31, 2015

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2015

	<u>Page(s)</u>
District Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Statement of Net Position - Proprietary Funds	6
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	7
Statement of Cash Flows - Proprietary Funds	8
Notes to the Financial Statements	9 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Pension Schedules and Note	23
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	24 - 25
Schedule of Findings and Questioned Costs	26
Management's Letter	27 - 28

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

LIST OF OFFICIALS

December 31, 2015

David Hovendick	President
Jerry Nelson	Vice President
Les Windjue	Board Member
Doug Mohr	Board Member
Gilbert Black	Board Member
Jay Klemetsrud	Board Member
Paul Becker	Board Member
Sally Herda	Secretary/Treasurer

STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Greater Ramsey Water District
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Greater Ramsey Water District, Devils Lake, North Dakota, as of and for the year ended December 31, 2015, 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, 2015, 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.

Emphasis of a Matter

As discussed in Note 19 to the financial statements, Greater Ramsey Water District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *pension schedules* on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016 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
September 28, 2016

GREATER RAMSEY WATER DISTRICT
 Devils Lake, North Dakota
STATEMENT OF NET POSITION
 December 31, 2015

	Business-Type Activities
ASSETS:	
Cash	\$ 3,741,179
Investments	329,939
Intergovernmental Receivable	176,107
Utility Billings Receivable	114,143
Prepaid Postage	93
Other Assets	35
Long-Term Receivables:	
Uncertified Special Assessments Receivable	124,982
Notes Receivable	225
Restricted Assets:	
Cash	849,795
Investments	706,848
Capital Assets:	
<i>Not Being Depreciated</i>	
Land	113,841
Construction in Progress	4,573,111
<i>Being Depreciated</i>	
Structures	2,295,185
Pipelines	24,059,569
Equipment	174,854
Total Capital Assets	\$ 31,216,560
Total Assets	\$ 37,259,906
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions	\$ 17,876
Total Assets & Deferred Outflows of Resources	\$ 37,277,782
LIABILITIES:	
Accounts Payable	\$ 242,271
Interest Payable	22,676
Rental Deposits	4,435
Retainages Payable	251,506
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	422,276
Compensated Absences	20,291
Due After One Year:	
Loans Payable	1,668,975
Compensated Absences	30,437
Net Pension Liability	210,196
Total Liabilities	\$ 2,873,063
DEFERRED INFLOWS OF RESOURCES:	
Pensions	\$ 25,424
Total Liabilities & Deferred Inflows of Resources	\$ 2,898,487
NET POSITION:	
Net Investment in Capital Assets	\$ 29,125,309
Restricted for:	
Debt Service	1,681,625
Unrestricted	3,572,361
Total Net Position	\$ 34,379,295

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, 2015

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	\$ 1,114,974	\$ 1,478,974	\$ 16,957	\$ 2,622,386	\$ 3,003,343
Sewer System	251,968	301,720	-	9,536	59,288
Building Fund	3,377	-	-	-	(3,377)
Interest on Long-Term Debt	76,492	-	-	-	(76,492)
Total Business-Type Activities	\$ 1,446,811	\$ 1,780,694	\$ 16,957	\$ 2,631,922	\$ 2,982,762
<u>General Revenues:</u>					
Earnings on Investments					\$ 19,620
Miscellaneous Revenue					23,907
Total General Revenues					\$ 43,527
Change in Net Position					\$ 3,026,289
Net Position - January 1					\$ 31,571,475
Prior Period Adjustment					(218,469)
Net Position - January 1, as restated					\$ 31,353,006
Net Position - December 31					\$ 34,379,295

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, 2015

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
ASSETS				
Current Assets:				
Cash	\$ 2,623,633	\$ 1,117,546	\$ -	\$ 3,741,179
Investments	79,375	250,564	-	329,939
Intergovernmental Receivable	176,107	-	-	176,107
Utility Billings Receivable	91,732	22,411	-	114,143
Prepaid Postage	54	39	-	93
Other Assets	-	35	-	35
Restricted Assets:				
Cash	849,795	-	-	849,795
Investments	706,848	-	-	706,848
Total Current Assets	\$ 4,527,544	\$ 1,390,595	\$ -	\$ 5,918,139
Noncurrent Assets:				
Uncertified Special Assessments Receivable	\$ -	\$ 124,982	\$ -	\$ 124,982
Loan Receivable	225	-	-	225
Capital Assets (not being depreciated):				
Land	105,381	8,460	-	113,841
Construction In Progress	4,573,111	-	-	4,573,111
Capital Assets (net of accumulated depreciation):				
Structures	1,879,366	415,819	-	2,295,185
Pipelines	18,814,349	5,245,220	-	24,059,569
Equipment	146,239	28,615	-	174,854
Total Capital Assets	\$ 25,518,446	\$ 5,698,114	\$ -	\$ 31,216,560
Total Noncurrent Assets	\$ 25,518,671	\$ 5,823,096	\$ -	\$ 31,341,767
Total Assets	\$ 30,046,215	\$ 7,213,691	\$ -	\$ 37,259,906
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions	\$ 15,134	\$ 2,742	\$ -	\$ 17,876
Total Assets & Deferred Outflows of Resources	\$ 30,061,349	\$ 7,216,433	\$ -	\$ 37,277,782
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 241,445	\$ 826	\$ -	\$ 242,271
Interest Payable	16,360	6,316	-	22,676
Rental Deposits	4,435	-	-	4,435
Retainage Payable	251,506	-	-	251,506
Loans Payable	396,624	25,652	-	422,276
Compensated Absences	15,218	5,073	-	20,291
Total Current Liabilities	\$ 925,588	\$ 37,867	\$ -	\$ 963,455
Noncurrent Liabilities:				
Loans Payable	\$ 1,526,970	\$ 142,005	\$ -	\$ 1,668,975
Compensated Absences	22,828	7,609	-	30,437
Net Pension Liability	177,952	32,244	-	210,196
Total Noncurrent Liabilities	\$ 1,727,750	\$ 181,858	\$ -	\$ 1,909,608
Total Liabilities	\$ 2,653,338	\$ 219,725	\$ -	\$ 2,873,063
DEFERRED INFLOWS OF RESOURCES:				
Pensions	\$ 21,524	\$ 3,900	\$ -	\$ 25,424
Total Liabilities & Deferred Inflows of Resources	\$ 2,674,862	\$ 223,625	\$ -	\$ 2,898,487
NET POSITION				
Net Investment in Capital Assets	\$ 23,594,852	\$ 5,530,457	\$ -	\$ 29,125,309
Restricted for:				
Debt Service	1,556,643	124,982	-	1,681,625
Unrestricted	2,234,992	1,337,369	-	3,572,361
Total Net Position	\$ 27,386,487	\$ 6,992,808	\$ -	\$ 34,379,295

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, 2015

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 1,478,974	\$ 301,720	\$ -	\$ 1,780,694
<u>Operating Expenses:</u>				
Water Operation	\$ 677,733	\$ -	\$ -	\$ 677,733
Sewer Operations	-	121,416	-	121,416
Depreciation Expense	437,241	130,552	-	567,793
Total Operating Expenses	\$ 1,114,974	\$ 251,968	\$ -	\$ 1,366,942
Operating Income (Loss)	\$ 364,000	\$ 49,752	\$ -	\$ 413,752
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	\$ 15,164	\$ 4,456	\$ -	\$ 19,620
Grant Reimbursements	16,957	-	-	16,957
Capital Contribution	2,622,386	9,536	-	2,631,922
Miscellaneous Revenues	17,823	6,084	-	23,907
Miscellaneous Expenses	-	-	(3,377)	(3,377)
Interest Expense on Long-Term Debt	(67,778)	(8,714)	-	(76,492)
Total Non-Operating Revenues (Expenses)	\$ 2,604,552	\$ 11,362	\$ (3,377)	\$ 2,612,537
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 19,003	\$ 19,003
Transfers Out	(14,252)	(4,751)	-	(19,003)
Total Other Financing Sources and Uses	\$ (14,252)	\$ (4,751)	\$ 19,003	\$ -
Change in Net Position	\$ 2,954,300	\$ 56,363	\$ 15,626	\$ 3,026,289
Total Net Position - January 1	\$ 24,617,143	\$ 6,969,958	\$ (15,626)	\$ 31,571,475
Prior Period Adjustment	(184,956)	(33,513)	-	(218,469)
Net Position - January 1, As Restated	\$ 24,432,187	\$ 6,936,445	\$ (15,626)	\$ 31,353,006
Total Net Position - December 31	\$ 27,386,487	\$ 6,992,808	\$ -	\$ 34,379,295

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, 2015

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Building Fund	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 1,293,637	\$ 298,730	\$ -	\$ 1,592,367
Cash Payments to Suppliers for Goods and Services	44,813	(60,362)	-	(15,549)
Cash Payments to Employees for Services	(322,478)	(58,300)	-	(380,778)
Net Cash Provided by Operating Activities	<u>\$ 1,015,972</u>	<u>\$ 180,068</u>	<u>\$ -</u>	<u>\$ 1,196,040</u>
<u>Cash Flows from Non-capital and Related Financing Activities:</u>				
Miscellaneous Revenues	\$ 17,824	\$ 5,662	\$ -	\$ 23,486
Operating Grants	16,957	-	10,000	26,957
Miscellaneous Expenses	-	-	(3,377)	(3,377)
Transfers from Other Funds	25,626	-	19,003	44,629
Transfers to Other Funds	(14,252)	(4,751.00)	(25,626)	(44,629)
Net Cash Provided (Used) by Non-capital and Related Financing Activities	<u>\$ 46,155</u>	<u>\$ 911</u>	<u>\$ -</u>	<u>\$ 47,066</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	\$ (3,486,371)	\$ (53,230)	\$ -	\$ (3,539,601)
Capital Contribution	2,622,386	28,015	-	2,650,401
Principal - Paid Loan	(385,510)	(23,988)	-	(409,498)
Interest on Long-Term Debt	(71,132)	(9,618)	-	(80,750)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (1,320,627)</u>	<u>\$ (58,821)</u>	<u>\$ -</u>	<u>\$ (1,379,448)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase/Sale of Investments	\$ 8,196	\$ -	\$ -	\$ 8,196
Loan Payments Received	374	-	-	374
Interest Received	15,164	4,456	-	19,620
Net Cash Provided (Used) by Investing Activities	<u>\$ 23,734</u>	<u>\$ 4,456</u>	<u>\$ -</u>	<u>\$ 28,190</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (234,766)</u>	<u>\$ 126,614</u>	<u>\$ -</u>	<u>\$ (108,152)</u>
Cash and Cash Equivalents, January 1	<u>\$ 3,708,194</u>	<u>\$ 990,932</u>	<u>\$ -</u>	<u>\$ 4,699,126</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,473,428</u>	<u>\$ 1,117,546</u>	<u>\$ -</u>	<u>\$ 4,590,974</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$ 364,000	\$ 49,752	\$ -	\$ 413,752
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation Expense	\$ 437,241	\$ 130,552	\$ -	\$ 567,793
Change in Assets and Liabilities:				
Change in Prepaid Postage	(54)	(71)	-	(125)
Change in Rental Deposits	525	-	-	525
Change in Intergovernmental Receivable	(176,107)	-	-	(176,107)
Change in Utility Billings Receivable	(9,755)	(2,990)	-	(12,745)
Change in Retainages Payable	186,081	-	-	186,081
Change in Accounts Payable	206,231	110	-	206,341
Change in Other Liabilities	(54)	-	-	(54)
Loss on Capital Assets	7,620	2,540	-	10,160
Change in Compensated Absence	858	286	-	1,144
Change in Net Pension Liability	(614)	(111)	-	(725)
Total Adjustments	<u>\$ 651,972</u>	<u>\$ 130,316</u>	<u>\$ -</u>	<u>\$ 782,288</u>
Net Cash Provided by Operating Activities	<u>\$ 1,015,972</u>	<u>\$ 180,068</u>	<u>\$ -</u>	<u>\$ 1,196,040</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, 2015

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. 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 business-type 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

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 business-type activities statement of net position.

G. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. 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.

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

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, 2015, the Water District's carrying amount of deposits was \$5,626,889 and the bank balance was \$5,754,065. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance, and the remaining bank balances totaling \$4,504,065 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, 2015, the Water District held certificates of deposit in the amount of \$1,036,787 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: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state revenue sharing, and other state and federal grants.

NOTE 4: 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 5: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

Long-term uncertified special assessments receivable represents 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 6: LOANS RECEIVABLE

Greater Ramsey Water District allowed Joel Rindy to make monthly payments of \$25 as reimbursement for damages caused in a water break on July 3, 2013. The amount was agreed upon with manager, Nels Halgren.

Name/Business	Beginning Balance January 1	Write-offs Adjustments	Payments	Ending Balance December 31
Joel Rindy Loan	\$ 600	\$ -	\$ 375	\$ 225
Total Net Loans Receivable	\$ 600	\$ -	\$ 375	\$ 225

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:

Water Fund:	Amounts
Cash	\$ 849,795
Investments	706,848
Total Reserve	\$1,556,643

NOTE 8: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences in actual and expected experience and district contributions made subsequent to the measurement date.

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Water Fund Business-Type Activities	Balance January 1	Additions	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 105,381	\$ -	\$ -	\$ 105,381
Construction in Progress	1,139,315	3,433,796	-	4,573,111
Total Capital Assets, Not Being Depreciated	\$ 1,244,696	\$ 3,433,796	\$ -	\$ 4,678,492
<i>Capital assets being depreciated:</i>				
Buildings/Structures	\$ 3,752,946	\$ -	\$ -	\$ 3,752,946
Pipelines	22,842,946	19,509	-	22,862,455
Equipment	312,588	33,066	19,050	326,604
Total Capital Assets, Being Depreciated	\$ 26,908,480	\$ 52,575	\$ 19,050	\$ 26,942,005
<i>Less Accumulated Depreciation for:</i>				
Buildings/Structures	\$ 1,777,225	\$ 96,355	\$ -	\$ 1,873,580
Pipelines	3,743,273	304,833	-	4,048,106
Equipment	155,742	36,053	11,430	180,365
Total Accumulated Depreciation	\$ 5,676,240	\$ 437,241	\$ 11,430	\$ 6,102,051
Total Capital Assets Being Depreciated, Net	\$ 21,232,240	\$ (384,666)	\$ 7,620	\$ 20,839,954
Total Business-Type Activities, Net - Water	\$ 22,476,936	\$ 3,049,130	\$ 7,620	\$ 25,518,446

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

Sewer Fund Business-Type Activities	Balance January 1	Additions	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,460	\$ -	\$ -	\$ 8,460
<i>Capital assets being depreciated:</i>				
Buildings/Structures	\$ 714,123	\$ -	\$ -	\$ 714,123
Pipelines	7,080,696	43,460	-	7,124,156
Equipment	185,126	9,770	6,350	188,546
Total Capital Assets, Being Depreciated	\$ 7,979,945	\$ 53,230	\$ 6,350	\$ 8,026,825
<i>Less Accumulated Depreciation for:</i>				
Buildings/Structures	\$ 274,110	\$ 24,194	\$ -	\$ 298,304
Pipelines	1,783,947	94,989	-	1,878,936
Equipment	152,372	11,369	3,810	159,931
Total Accumulated Depreciation	\$ 2,210,429	\$ 130,552	\$ 3,810	\$ 2,337,171
Total Capital Assets Being Depreciated, Net	\$ 5,769,516	\$ (77,322)	\$ 2,540	\$ 5,689,654
Total Business-Type Activities, Net - Sewer	\$ 5,777,976	\$ (77,322)	\$ 2,540	\$ 5,698,114

Total Business-Type Activities	Balance January 1	Additions	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 113,841	\$ -	\$ -	\$ 113,841
Construction in Progress	1,139,315	3,433,796	-	4,573,111
Total Capital Assets Not Being Depreciated, Net	\$ 1,253,156	\$ 3,433,796	\$ -	\$ 4,686,952
<i>Capital assets being depreciated:</i>				
Buildings/Structures	\$ 4,467,069	\$ -	\$ -	\$ 4,467,069
Pipelines	29,923,642	62,969	-	29,986,611
Equipment	497,714	42,836	25,400	515,150
Total Capital Assets, Being Depreciated	\$ 34,888,425	\$ 105,805	\$ 25,400	\$ 34,968,830
<i>Less Accumulated Depreciation for:</i>				
Buildings/Structures	\$ 2,051,335	\$ 120,549	\$ -	\$ 2,171,884
Pipelines	5,527,220	399,822	-	5,927,042
Equipment	308,114	47,422	15,240	340,296
Total Accumulated Depreciation	\$ 7,886,669	\$ 567,793	\$ 15,240	\$ 8,439,222
Total Capital Assets Being Depreciated, Net	\$ 27,001,756	\$ (461,988)	\$ 10,160	\$ 26,529,608
Total Business-Type Activities, Net	\$ 28,254,912	\$ 2,971,808	\$ 10,160	\$ 31,216,560

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

Business-Type Activities	Amounts
Water Operations	\$ 437,241
Sewer Operations	130,552
Total Depreciation Expense - Business-Type Activities	\$ 567,793

NOTE 10: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term business-type liabilities:

Water Fund Business-Type Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
SWC Loan #1	\$ 360,355	\$ -	\$ 116,221	\$ 244,134	\$ 120,472
SWC Loan #2	286,748	-	78,288	208,460	81,152
SRF Loan	1,662,000	-	191,000	1,471,000	195,000
Comp. Absences *	37,188	858	-	38,046	15,218
Net Pension Liability*	167,128	10,824	-	177,952	-
Total Business-Type Activities - Water	\$ 2,513,419	\$ 11,682	\$ 385,509	\$ 2,139,592	\$ 411,842

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

Sewer Fund Business-Type Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Scooby's 2007 Loan	\$ 191,645	\$ -	\$ 23,988	\$ 167,657	\$ 25,652
Comp. Absences *	12,396	286	-	12,682	5,073
Net Pension Liability*	30,283	1,961	-	32,244	-
Total Business-Type Activities - Sewer	\$ 234,324	\$ 2,247	\$ 23,988	\$ 212,583	\$ 30,725

Total Business-Type Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
SWC Loan #1	\$ 360,355	\$ -	\$ 116,221	\$ 244,134	\$ 120,472
SWC Loan #2	286,748	-	78,288	208,460	81,152
SRF Loan	1,662,000	-	191,000	1,471,000	195,000
Scooby's 2007 Loan	191,645	-	23,988	167,657	25,652
Comp. Absences *	49,584	1,144	-	50,728	20,291
Net Pension Liability*	197,411	12,785	-	210,196	-
Total Business-Type Activities	\$ 2,747,743	\$ 13,929	\$ 409,497	\$ 2,352,175	\$ 442,567

* - The change in compensated absences and net pension liability are shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding business-type activities long-term liabilities at December 31, 2015 is comprised of the following individual issues (excluding compensated absences and net pension liability):

Loans Payable:

Water Fund

\$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%. \$ 244,134

\$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%. 208,460

\$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%. 1,471,000

Total Water Fund \$1,923,594

Sewer Fund

\$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%. \$ 167,657

Total Loans Payable \$2,091,251

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

Debt service requirements on business-type activity long-term debt at December 31, 2015 are as follows:

BUSINESS-TYPE ACTIVITIES - WATER								
Year Ending Dec 31	SWC Loan #1		SWC Loan #2		SRF Loan		Total Water Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 120,472	\$ 7,768	\$ 81,152	\$ 6,828	\$ 195,000	\$ 36,775	\$ 396,624	\$ 51,371
2017	123,662	3,361	127,308	4,642	200,000	31,900	450,970	39,903
2018	-	-	-	-	205,000	26,900	205,000	26,900
2019	-	-	-	-	210,000	21,775	210,000	21,775
2020	-	-	-	-	215,000	16,525	215,000	16,525
2021-2025	-	-	-	-	446,000	16,800	446,000	16,800
Total	\$ 244,134	\$ 11,129	\$208,460	\$11,470	\$1,471,000	\$150,675	\$1,923,594	\$173,274

BUSINESS-TYPE ACTIVITIES - SEWER		
Year Ending Dec 31	Scooby's Point Loan	
	Principal	Interest
2016	\$ 25,652	\$ 7,954
2017	142,005	7,603
2018	-	-
2019	-	-
2020	-	-
2021-2025	-	-
Total	\$ 167,657	\$ 15,557

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2015 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on loans payable balances outstanding at December 31, 2015.

NOTE 13: 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, 2015.

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pensions.

NOTE 15: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the business-type activities for the year ended December 31, 2015:

	Transfers In	Transfers Out
Major Funds:		
Water	\$ -	\$ 14,252
Sewer	-	4,751
Building	19,003	-
Total Transfers	\$ 19,003	\$ 19,003

NOTE 16: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, Greater Ramsey Water District reported a liability of \$210,196 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .030912 percent, which was a decrease of .000190 percent from its proportion measured as of June 30, 2014.

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

For the year ended December 31, 2015, the Employer recognized pension expense of \$19,584. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Def. Outflows of Resources	Def. Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,098	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	4,437
Changes of Assumptions	-	18,728
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	2,259
District Contributions Subsequent to the Measurement Date	11,778	-
Total	\$ 17,876	\$ 25,424

\$11,778 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2016	\$ (5,691)
2017	(5,691)
2018	(5,691)
2019	3,478
2020	(3,471)

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability	\$ 322,326	\$ 210,196	\$ 118,454

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 17: 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.

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

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 \$1,700,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Greater Ramsey Water District has worker’s 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 18: CONSTRUCTION COMMITMENTS

The Greater Ramsey Water District had open construction commitments as of December 31, 2015 as follows:

Project	Original Contract	Change Orders	Total Contract Balance	Total Completed	Remaining Balance	Retainage
System Upgrades - Starkweather Plbg & Heating	\$ 139,693	\$ 256,967	\$ 396,660	\$ 328,269	\$ 68,391	\$ 19,833
System Upgrades - Ron Peterson Construction	2,721,149	624,312	3,345,461	2,236,342	1,109,119	167,273
Pare Elevated Tank - Landmark Structures	1,288,000	-	1,288,000	769,025	518,975	64,400
Total	\$ 4,148,842	\$ 881,279	\$ 5,030,121	\$ 3,333,636	\$ 1,696,485	\$ 251,506

Retainages payable – The above contracts had retainages payable of \$251,506 at December 31, 2015 that is reported in the water system fund, and at the government wide level for business-type enterprise activities.

NOTE 19: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position in business-type activities, which consists of the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning net position are as follows:

Business-Type Activities - Total	Amounts
Beginning Net Position, as previously reported	\$ 31,571,475
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(197,411)
Deferred Outflows of Resources Related to Pensions	17,477
Deferred Inflows of Resources Related to Pensions	(38,535)
Net Position January 1, 2015 as restated	\$ 31,353,006

GREATER RAMSEY WATER DISTRICT
Notes to the Financial Statements – Continued

Business-Type Activities - Water	Amounts
Beginning Net Position, as previously reported	\$ 24,617,143
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(167,128)
Deferred Outflows of Resources Related to Pensions	14,796
Deferred Inflows of Resources Related to Pensions	(32,624)
Net Position January 1, 2015 as restated	\$ 24,432,187

Business-Type Activities - Sewer	Amounts
Beginning Net Position, as previously reported	\$ 6,969,958
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(30,283)
Deferred Outflows of Resources Related to Pensions	2,681
Deferred Inflows of Resources Related to Pensions	(5,911)
Net Position January 1, 2015 as restated	\$ 6,936,445

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

PENSION SCHEDULES AND NOTES
For the Year Ended December 31, 2015

**Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years***

	2015	2014
District's proportion of the net pension liability (asset)	0.030912%	0.031102%
District's proportionate share of the net pension liability (asset)	\$ 210,196	\$ 197,411
District's covered-employee payroll	\$ 275,392	\$ 261,990
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years***

	2015	2014
Statutorily required contribution	\$ 19,608	\$ 18,654
Contributions in relation to the statutorily required contribution	\$ (19,608)	\$ (18,654)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 275,392	\$ 261,990
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

NOTE 1: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

STATE AUDITOR

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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

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

Governing Board
Greater Ramsey Water District
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and each major fund of the Greater Ramsey Water District, Devils Lake, North Dakota, as of and for the year ended December 31, 2015, 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 September 28, 2016.

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 [2015-001].

GREATER RAMSEY WATER DISTRICT

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

Compliance and Other Matters

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

Greater Ramsey Water Resource District's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 28, 2016

GREATER RAMSEY WATER DISTRICT
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Business-Type Activities	Unmodified
Major Business-Type Funds	Unmodified

Internal Control Over Financial Reporting:

Material weaknesses identified?	_____ Yes	<u> X </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	_____ None Noted
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None Noted

Section II - Financial Statement Findings

2015-001 - 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.

STATE AUDITOR

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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, 2015 which collectively comprise the Greater Ramsey Water District's basic financial statements and have issued our report thereon dated September 28, 2016. 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 August 25, 2016, 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, 2015. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. 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 September 28, 2016.

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

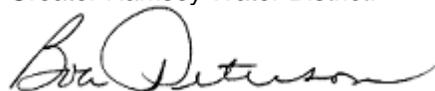
We encountered no significant difficulties in dealing with management in performing our audit.

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
September 28, 2016

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