

**AGASSIZ WATER USERS DISTRICT
GILBY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	Page
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION & ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17
SCHEDULE OF FINDINGS AND RESPONSES	19

**AGASSIZ WATER USERS DISTRICT
BOARD OF DIRECTORS
AS OF DECEMBER 31, 2018**

John Hancock	President
Bret Burkholder	Vice President
Patricia Paschke	Secretary
Eric Stanislawski	Director
Lee Ferguson	Director
Chad Thorvilson	Director
Michael Lund	Director

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Agassiz Water Users District
Gilby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Agassiz Water Users District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Agassiz Water Users District, as of December 31, 2018, and the respective changes in financial position and 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

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis on pages 4-6 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 a report dated February 15, 2019, on our consideration of Agassiz Water Users District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's 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 Agassiz Water Users District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

February 15, 2019

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

INTRODUCTION

As management of the Agassiz Water Users District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The District is presenting information for the current year and the prior year as required by GASB Statement No. 34.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the close of the year 2018 by \$2,360,232.
- The District's total operating revenue increased by \$967 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the District are prepared using proprietary fund (business-type fund) accounting, which utilizes the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America.

These financial statements consist of the following sections:

- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of the changing financial position of the District.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method as required by government accounting standards.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's assets exceeded its liabilities by \$2,360,232 at the close of the fiscal year. The majority of the District's net position is invested in capital assets (improvements, buildings, and equipment) owned by the District. These assets are not available for future expenses since they will not be sold. Unrestricted net position is part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements.

Statement of Net Position

	<u>12/31/2018</u>	<u>12/31/2017</u>
ASSETS		
Current Assets	\$ 852,586	\$ 959,887
Capital Assets		
Property and Equipment	6,652,188	6,543,988
Less Accumulated Depreciation	(5,104,404)	(4,981,528)
Other Assets	41,727	41,755
TOTAL ASSETS	<u>2,442,097</u>	<u>2,564,102</u>
LIABILITIES		
Current Liabilities	55,913	29,969
Current Portion	21,480	20,817
Long-Term Liabilities		
Non-Current Portion	4,472	25,900
TOTAL LIABILITIES	<u>81,865</u>	<u>76,686</u>
NET POSITION		
Net Investment in Capital Assets	1,521,832	1,515,743
Unrestricted	838,400	971,674
TOTAL NET POSITION	<u>\$2,360,232</u>	<u>\$2,487,417</u>

Statement of Revenues, Expenses and Changes in Net Position

	<u>12/31/2018</u>	<u>12/31/2017</u>
REVENUES AND EXPENSES		
Operating Revenue	\$ 617,682	\$ 616,715
Operating Expenses	755,747	674,325
Operating Income (Loss)	(138,065)	(57,610)
Non-Operating Revenues (Expenses)	10,880	28,388
NET INCOME (LOSS)	(127,185)	(29,222)
NET POSITION, BEGINNING OF YEAR	<u>2,487,417</u>	<u>2,516,639</u>
NET POSITION, END OF YEAR	<u>\$2,360,232</u>	<u>\$2,487,417</u>

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

CAPITAL ASSETS

At December 31, 2018, the District had \$1,547,784 invested in capital assets including improvements, buildings, equipment and vehicles. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

	Balance 12/31/2017	Additions	Disposals	Balance 12/31/2018
Capital Assets				
Plant, Building, and Improvements	\$ 6,343,525	\$ 108,200	\$ -	\$ 6,451,725
Furniture, Fixtures, and Equipment	96,279	-	-	96,279
Transportation Equipment and Tools	104,184	-	-	104,184
Total	<u>6,543,988</u>	<u>108,200</u>	<u>-</u>	<u>6,652,188</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,810,686	113,266	-	4,923,952
Furniture, Fixtures, and Equipment	95,036	500	-	95,536
Transportation Equipment and Tools	75,806	9,110	-	84,916
Total	<u>4,981,528</u>	<u>122,876</u>	<u>-</u>	<u>5,104,404</u>
Net Capital Assets	<u>\$ 1,562,460</u>	<u>\$ (14,676)</u>	<u>\$ -</u>	<u>\$ 1,547,784</u>

LONG-TERM DEBT

The District had \$25,952 in bonds and notes outstanding at year-end, compared to \$46,717 last year, a decrease of \$20,765 as shown in the table below.

Payee	Interest Rate	Balance		Retired	Balance		Due Within 1 year
		12/31/2017	Issued		12/31/2018		
Bank of North Dakota	3.00%	\$ 46,717	\$ -	\$ 20,765	\$ 25,952	\$ 21,480	
		<u>\$ 46,717</u>	<u>\$ -</u>	<u>\$ 20,765</u>	<u>\$ 25,952</u>	<u>\$ 21,480</u>	

ECONOMIC FACTORS

Currently, the District does not anticipate or foresee any significant changes in the operations or other economic factors that would have an effect on Agassiz Water Users District.

OTHER INFORMATION

We are continuing with upgrading reservoir pumps to variable frequency drive. This year we also cleaned our wells and installed new pumps and piping to extend their longevity.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John Hancock, President, at PO Box 185, Gilby, ND 58235 or by calling (701) 869-2690.

AGASSIZ WATER USERS DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 665,759
Receivables	
Trade Accounts (Net Allowance of \$32,391)	78,542
Interest	2,131
Unbilled Member Accounts	31,556
Inventories	55,740
Prepaid Expenses	18,858
Total Current Assets	<u>852,586</u>
CAPITAL ASSETS	
Plant, Building, and Improvements	6,451,725
Transportation Equipment and Tools	104,184
Furniture, Fixtures, and Equipment	96,279
Less Accumulated Depreciation	(5,104,404)
Net Property and Equipment	<u>1,547,784</u>
OTHER ASSETS	
Capital Credits	41,727
Total Other Assets	<u>41,727</u>
TOTAL ASSETS	<u><u>2,442,097</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Trade Accounts Payable	49,606
Current Portion of Long-term Debt	21,480
Payroll Taxes	4,374
Other Accrued Expenses	
Accrued Interest	735
Other	1,198
Total Current Liabilities	<u>77,393</u>
LONG-TERM LIABILITIES	
Loan, Net of Current Portion	4,472
Total Long-Term Liabilities	<u>4,472</u>
TOTAL LIABILITIES	<u><u>81,865</u></u>
NET POSITION	
Net Investment in Capital Assets	1,521,832
Unrestricted	838,400
TOTAL NET POSITION	<u><u>\$2,360,232</u></u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES	
Metered Water	\$ 594,279
Unmetered Water	1,822
Penalties and Other	14,760
Refunds and Reimbursements	6,821
Total Operating Revenue	<u>617,682</u>
OPERATING EXPENSES	
Salaries	195,466
Payroll Taxes	14,953
Power Purchases for Pumping	55,993
Plant Repairs and Supplies	121,742
Mileage Reimbursements	2,276
Vehicle Expense	24,563
Depreciation - Plant	113,266
Depreciation - Office Furniture and Equipment	500
Depreciation - Vehicle	9,110
Computer Expenses	5,855
Postage and Office Supplies	13,763
Telephone	5,978
Professional Fees	11,850
Utilities - Office	3,924
Unemployment and Workers' Compensation	2,511
Dues and Subscriptions	3,136
Other General Administrative Expenses	71,378
Lab Testing Fees	2,517
Employee Retirement	12,265
Employee Health Insurance	34,524
Employee Education	1,587
Insurance - Other	16,776
Directors Fees and Meeting Expense	3,247
Bad Debts	28,567
Total Operating Expenses	<u>755,747</u>
OPERATING LOSS	<u>(138,065)</u>
NON-OPERATING REVENUES (EXPENSES)	
Sign-up Fees	6,000
Interest Expense	(813)
Interest Income	3,040
Capital Credits	2,653
Total Non-Operating Revenues (Expenses)	<u>10,880</u>
EXCESS OF EXPENSES OVER REVENUES	(127,185)
NET POSITION, BEGINNING OF YEAR	<u>2,487,417</u>
NET POSITION, END OF YEAR	<u><u>\$2,360,232</u></u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash Received from Customers	\$ 648,212
Cash Payments for Materials and Services	(406,757)
Cash Payments to Employees for Services	(195,466)
Net Cash Provided by Operating Activities	<u>45,989</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(108,200)
Sign up Fees	6,000
Payments on Long-Term Debt - Principal	(20,765)
Payments on Long-Term Debt - Interest	(1,464)
Net Cash Used by Capital and Related Financing Activities	<u>(124,429)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Capital Credits	2,681
Interest Income	1,684
Net Cash Provided by Investing Activities	<u>4,365</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,075)
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>739,834</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 665,759</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (138,065)
Depreciation	122,876
Changes in:	
Receivables, Excluding Interest Receivable	30,530
Inventories	3,012
Prepaid Expenses	1,041
Trade Accounts Payable	26,049
Taxes Accrued or Payable	452
Other Payables	94
Net Cash Provided by Operating Activities	<u>\$ 45,989</u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Nature of Operations

Agassiz Water Users District is an organization established for the specific purpose of operating a rural water distribution system under North Dakota Century Code Section 61-35. Agassiz Water Users District is the successor in interest of Agassiz Water Users, Inc., a non-profit corporation of the State of North Dakota, which was incorporated in 1971. Agassiz Water Users, Inc., operated as a non-profit corporation until January 1, 2000, at which time it was dissolved and created Agassiz Water Users District.

The District has approximately 1,350 members who are located in the northeastern quarter of Grand Forks County and a small portion of southeastern Walsh County. New members are charged a \$1,000-member fee and water usage charged by the District. The District is exempt from Federal income tax. Agassiz Water Users District is accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public or members on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

The District, in accordance with government accounting standards, has developed criteria to determine whether outside agencies with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The District's basic financial statements consist of proprietary fund financial statements. Due to the nature of the District's operations, the District reports all of its functions in one proprietary fund.

Business-type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from provided services and producing and delivering goods in connection with the District's rural water operations system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Fund Accounting

The District's funds consist of the following:

Business-Type Fund:

The reporting focus of proprietary funds is on the determination of net income, financial position and changes in financial position (economic resources). These funds are used to account for activities that are similar to those found in the private sector. These funds are maintained on the accrual basis of accounting.

Cash and Investments

The District considers cash equivalents to be temporary investments that are readily convertible to cash, such as certificates of deposit, commercial paper, repurchase agreements (security interests in U.S. Treasury Notes), and treasury bills with original maturities of less than three months.

The District's investments consist of certificates of deposit.

Inventories and Prepays

Inventories are generally stated at the lower of cost (first-in, first-out method) or market. Market is considered as the net realizable value. They are recorded as an expense at the time individual inventory items are used.

Prepays represent payments made that benefit future reporting periods. The prepaid items are recognized as expenditures in the year the services are consumed.

Capital Assets

All capital assets are recorded at cost (or estimated historical cost if actual cost is not available). The assets are updated for additions and retirements during the District's year. Improvements that significantly extend the useful life of an asset are also capitalized.

The District depreciates its water plant, buildings, and improvements over 10 to 40 year periods and its equipment, furniture, fixtures, and vehicles over 5 to 10 year periods, using the straight-line and various accelerated methods.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Accounts Receivable

Accounts receivable arise in the normal course of business. Accounts receivable are carried at their original amounts, less an allowance for doubtful accounts. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past and establish an allowance for doubtful accounts. As of December 31, 2018, the allowance is \$32,391. If the District were to recover any bad debts previously written off, they would be reported as income.

At year-end, there is some amount of water consumed for which customers have not been billed. An estimate of revenues relating to water used, but not billed at December 31, has been recorded.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws and grant or contract provisions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Group Concentrations of Credit Risk

The District has a group concentration of credit risk comprised of its member accounts receivable. The District has no policy requiring collateral.

NOTE 3 CASH AND INVESTMENTS

The District's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds. In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the Board.

Total cash and cash equivalents as of December 31, 2018 are comprised of the following:

Deposit Accounts	\$ 135,745
Money Market Accounts	79,469
Time Deposits	<u>450,545</u>
Total	<u>\$ 665,759</u>

Of the total deposits, \$466,514 was covered by Federal Depository Insurance. The remaining deposits were covered by securities pledged by the financial institution in the District's name.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Interest Rate Risk

The District does not have a formal deposit policy that limits deposit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principal on investments. North Dakota law authorizes political subdivisions to invest surplus funds in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state.
- d) Obligations of the state.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Additions	Disposals	Balance 12/31/2018
Capital Assets				
Plant, Building, and Improvements	\$ 6,343,525	\$ 108,200	\$ -	\$ 6,451,725
Furniture, Fixtures, and Equipment	96,279	-	-	96,279
Transportation Equipment and Tools	104,184	-	-	104,184
Total	<u>6,543,988</u>	<u>108,200</u>	<u>-</u>	<u>6,652,188</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,810,686	113,266	-	4,923,952
Furniture, Fixtures, and Equipment	95,036	500	-	95,536
Transportation Equipment and Tools	75,806	9,110	-	84,916
Total	<u>4,981,528</u>	<u>122,876</u>	<u>-</u>	<u>5,104,404</u>
Net Capital Assets	<u>\$ 1,562,460</u>	<u>\$ (14,676)</u>	<u>\$ -</u>	<u>\$ 1,547,784</u>

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 LONG-TERM INDEBTEDNESS

Details relative to the District's long-term indebtedness are as follows:

Payee	Interest Rate	Balance			Balance 12/31/2018	Due Within 1 year
		12/31/2017	Issued	Retired		
Bank of North Dakota	3.00%	\$ 46,717	\$ -	\$20,765	\$ 25,952	\$ 21,480
		<u>\$ 46,717</u>	<u>\$ -</u>	<u>\$20,765</u>	<u>\$ 25,952</u>	<u>\$ 21,480</u>

This Community Water Facility loan from the Bank of North Dakota is collateralized by property and equipment of the District. Payments are \$22,230 annually (principal and interest) with the loan maturing in January 2020.

The aggregate amount of anticipated future principal and interest payments on the District's long-term debt at December 31, 2018, is as follows:

Years Ending December 31,	Principal	Interest	Total
2019	\$ 21,480	\$ 750	\$ 22,230
2020	4,472	134	4,606
Total	<u>\$ 25,952</u>	<u>\$ 884</u>	<u>\$ 26,836</u>

NOTE 6 PENSION PLAN

The District has established a defined contribution pension plan for the benefit of its employees. This Plan is administered by the National Telecommunications Cooperative Association. Current terms of the Plan provide that the District may contribute, as determined by the Board of Directors, up to 7% of eligible employee salaries to this Plan. All full-time employees of the District are eligible to participate in the Plan who have attained age 21 and have one year of service. The plan administrator issues annual financial statements which may be obtained by writing to: NTCA, 30 Town Square Boulevard, Suite 300, Asheville, NC 28803. For the years ended December 31, 2018, 2017, and 2016, the District contributed \$12,265, \$12,054, and \$11,845, respectively, into this Plan.

NOTE 7 RISK MANAGEMENT

The 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 District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims for the past three years have not exceeded insurance coverage.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Company's year end. Subsequent events have been evaluated through February 15, 2019, which is the date these financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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

Board of Directors
Agassiz Water Users District
Gilby, North Dakota

We have audited, 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, the financial statements of the business-type activities of Agassiz Water Users District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agassiz Water Users District's basic financial statements and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Agassiz Water Users 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Agassiz Water Users District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider deficiency 2018-001 described in the accompanying schedule of findings and responses to be a material weakness.

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. We consider deficiency 2018-002 described in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

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

Agassiz Water Users District's Response to Findings

Agassiz Water Users District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Agassiz Water Users District's responses were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely intended to describe the scope of our testing of internal control and compliance and the result 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 15, 2019

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-001 – Material Weakness

Criteria:

An organization should design an internal control system to achieve an adequate segregation of duties within a significant account or process.

Condition:

A proper segregation of duties for internal control does not exist.

Cause of Condition:

Agassiz Water Users District has one office employee and a manager who are responsible for all accounting functions involved. They handle all incoming monies, prepare the receipts documentation, prepare the deposits, issues all checks and distributes them, receive the bank statements and do the reconciliations. They also record the receipts and disbursements to the journals and maintain the general ledger.

Effect:

The lack of segregation of duties could adversely affect the District's ability to initiate, authorize, record, process, report financial data reliably or prevent or detect noncompliance on a timely basis.

Recommendation:

Proper separation of duties should be obtained where feasible.

Response:

We concur with the auditor's recommendation; however, considering the size of the organization, it is not feasible to obtain proper separation of duties.

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-002 – Significant Deficiency

Criteria:

An organization should design an internal control system to provide for the preparation of financial statements of the District.

Condition:

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause of Condition:

The District's personnel do not have the time to draft the financial statements and notes to the financial statements.

Effect:

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation. We have hired an outside certified public accountant to assist with the review of the financial statements.