



# Greater Ramsey Water District

Devils Lake, North Dakota

## Audit Report

For the Year Ended December 31, 2018

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

# GREATER RAMSEY WATER DISTRICT

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For the Year Ended December 31, 2018

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# GREATER RAMSEY WATER DISTRICT

District Officials and Audit Personnel

December 31, 2018

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## DISTRICT OFFICIALS

Jay Klemetsrud	President
Doug Mohr	Vice President
Paul Becker	Board Member
Gilbert Black	Board Member
Dave Hovendick	Board Member
Allen Johnson	Board Member
Les Windjue	Board Member
Sally Herda	Secretary/Treasurer
Nels Halgren	Manager

## AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

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**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
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FARGO, NORTH DAKOTA 58103

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**INDEPENDENT AUDITOR’S REPORT**

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Board of District Commissioners  
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 Greater Ramsey Water District, Devils Lake, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Greater Ramsey 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. 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 Greater Ramsey Water District, Devils Lake, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* as listed in the table of contents 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2019 on our consideration of 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 Greater Ramsey Water District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 1, 2019

**GREATER RAMSEY WATER DISTRICT**

Statement of Net Position – Proprietary Funds

December 31, 2018

	Business-Type Activities		
	Water System	Sewer System	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 3,538,843	\$ 1,187,140	\$ 4,725,983
Investments	810,435	256,009	1,066,444
Utility Billings Receivable	91,593	30,531	122,124
Prepaid Postage	-	40	40
Other Assets	-	35	35
Total Current Assets	<u>\$ 4,440,871</u>	<u>\$ 1,473,755</u>	<u>\$ 5,914,626</u>
Noncurrent Assets			
Special Assessments Receivable	\$ -	\$ 62,492	\$ 62,492
Capital Assets, Net	27,127,671	5,515,124	32,642,795
Total Noncurrent Assets	<u>\$ 27,127,671</u>	<u>\$ 5,577,616</u>	<u>\$ 32,705,287</u>
Total Assets	<u>\$ 31,568,542</u>	<u>\$ 7,051,371</u>	<u>\$ 38,619,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions & OPEB	\$ 168,255	\$ 44,131	\$ 212,386
Total Assets & Deferred Outflows of Resources	<u>\$ 31,736,797</u>	<u>\$ 7,095,502</u>	<u>\$ 38,832,299</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 5,957	\$ 824	\$ 6,781
Rental Deposits	4,865	-	4,865
Unearned Revenue	13,553	-	13,553
Other Liability	11	-	11
Compensated Absences	14,934	4,978	19,912
Total Current Liabilities	<u>\$ 39,320</u>	<u>\$ 5,802</u>	<u>\$ 45,122</u>
Noncurrent Liabilities			
Compensated Absences	\$ 22,401	\$ 7,467	\$ 29,868
Net Pension & OPEB Liability	423,904	111,184	535,088
Total Noncurrent Liabilities	<u>\$ 446,305</u>	<u>\$ 118,651</u>	<u>\$ 564,956</u>
Total Liabilities	<u>\$ 485,625</u>	<u>\$ 124,453</u>	<u>\$ 610,078</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions & OPEB	\$ 38,097	\$ 9,992	\$ 48,089
Total Liabilities & Deferred Inflows of Resources	<u>\$ 523,722</u>	<u>\$ 134,445</u>	<u>\$ 658,167</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 27,127,671	\$ 5,515,124	\$ 32,642,795
Unrestricted	4,085,404	1,445,933	5,531,337
Total Net Position	<u>\$ 31,213,075</u>	<u>\$ 6,961,057</u>	<u>\$ 38,174,132</u>

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

# GREATER RAMSEY WATER DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
For the Year Ended December 31, 2018

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	Business-Type Activities		
	Water System	Sewer System	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,739,259	\$ 280,101	\$ 2,019,360
<b>OPERATING EXPENSES</b>			
Water Operations	\$ 711,670	\$ -	\$ 711,670
Sewer Operations	-	203,727	203,727
Depreciation Expense	560,573	131,426	691,999
Total Operating Expenses	\$ 1,272,243	\$ 335,153	\$ 1,607,396
Operating Income (Loss)	\$ 467,016	\$ (55,052)	\$ 411,964
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	\$ 25,480	\$ 7,463	\$ 32,943
Capital Contribution	409,082	5,418	414,500
Miscellaneous Revenues	51,161	1,724	52,885
Interest Expense on Long-Term Debt	-	(1,898)	(1,898)
Total Non-Operating Revenues	\$ 485,723	\$ 12,707	\$ 498,430
Change in Net Position	\$ 952,739	\$ (42,345)	\$ 910,394
Total Net Position - January 1	\$ 30,299,810	\$ 7,003,402	\$ 37,303,212
Prior Period Adjustment	\$ (39,474)	\$ -	\$ (39,474)
Net Position - January 1, As Restated	\$ 30,260,336	\$ 7,003,402	\$ 37,263,738
Total Net Position - December 31	\$ 31,213,075	\$ 6,961,057	\$ 38,174,132

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

# GREATER RAMSEY WATER DISTRICT

Statement of Cash Flows – Proprietary Funds  
For the Year Ended December 31, 2018

	Business-Type Activities		
	Water System	Sewer System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 1,749,573	\$ 285,556	\$ 2,035,129
Payments to Suppliers	(554,562)	(101,638)	(656,200)
Payments to Employees	(346,493)	(92,150)	(438,643)
Net Cash Provided by Operating Activities	\$ 848,518	\$ 91,768	\$ 940,286
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Miscellaneous Revenues	\$ 51,161	\$ 1,722	\$ 52,883
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	\$ (489,643)	\$ (70,830)	\$ (560,473)
Capital Contribution	409,082	27,062	436,144
Interest on Long-Term Debt	-	(1,898)	(1,898)
Net Cash (Used) by Capital and Related Financing Activities	\$ (80,561)	\$ (45,666)	\$ (126,227)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases, Sales, & Maturities of Investments	\$ (15,245)	\$ (2,986)	\$ (18,231)
Interest Income	25,480	7,463	32,943
Net Cash Provided by Investing Activities	\$ 10,235	\$ 4,477	\$ 14,712
Net Increase in Cash	\$ 829,353	\$ 52,301	\$ 881,654
Cash - January 1	\$ 2,709,490	\$ 1,134,839	\$ 3,844,329
Cash - December 31	\$ 3,538,843	\$ 1,187,140	\$ 4,725,983
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 467,016	\$ (55,052)	\$ 411,964
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	\$ 560,573	\$ 131,426	\$ 691,999
Change in Assets and Liabilities:			
Prepaid Postage	155	6	161
Rental Deposits	430	-	430
Accounts Receivable	-	2,160	2,160
Utility Billings Receivable	9,884	3,295	13,179
Retainages Payable	(107,732)	-	(107,732)
Accounts Payable	(122,330)	(190)	(122,520)
Other Liabilities	(1,637)	-	(1,637)
Capital Assets	4,725	1,575	6,300
Compensated Absence	(5,619)	(1,873)	(7,492)
Net Pension Liability	43,053	10,421	53,474
Net Cash Provided by Operating Activities	\$ 848,518	\$ 91,768	\$ 940,286

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



# GREATER RAMSEY WATER DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Greater Ramsey Water District (“District”) operates under the guidelines of Water Districts set forth in the North Dakota Century Code Chapter 61-35-02. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 District’s accounting policies are described below.

### **A. Reporting Entity**

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the 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 the District.

Based on these criteria, there are no component units to be included within the 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, the District. These statements include the financial activities of the overall government. Business-type activities are financed mostly by fees charged to external parties.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. 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 enterprise funds.

Water System – This fund accounts for the operation and maintenance of the water system of the District.

Sewer System – This fund accounts for the operation and maintenance of the sewer system of the District.

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

*Government-Wide and Proprietary Financial Statements.* The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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.

Enterprise funds are used to account for operations operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges

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 consists of amounts in demand deposits and money market accounts.

The investments of the District consist of certificates of deposit stated at cost with maturities in excess of three months.

**E. Capital Assets**

Capital assets include property, plant, and equipment. Assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical 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. Interest incurred during the construction phase of capital assets is not capitalized.

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

<b>ASSET</b>	<b>YEARS</b>
Equipment	5 - 10
Structures	20 - 40
Pipelines	75

**F. Compensated Absences**

Full time employees earn vacation benefits from one to two hours per month, depending on tenure with the District. Up to 240 hours of vacation leave may be carried over at year end. Sick leave benefits are earned at the rate of one day per month regardless of the years of service.

Upon termination of employment, employees will be paid for vacation benefits that have accrued based on their current base of pay. Any employee who has three or more consecutive years of employment will be eligible to receive payment for sick leave at a rate of 10% of the unused balance. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

**G. Long-Term Liabilities**

Long-term obligations are reported as liabilities in the proprietary financial statements.

**H. Net Position**

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restrictions by outside parties.

Unrestricted net position represents the unrestricted amounts related to the District that aren't restricted or reported in net investment in capital assets. The unrestricted net position is available to meet the district's recurring regular ongoing obligations.

**NOTE 2: PRIOR PERIOD ADJUSTMENTS**

**Water System**

Net position of the Water System as of January 1, 2018 has been restated for capital asset adjustments as shown below. The result of the adjustments decreased the beginning net position of the District.

	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 30,299,810
Prior Period Adjustments	
Capital Assets	(39,474)
Net Position January 1, Restated	<u>\$ 30,260,336</u>

**NOTE 3: DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, 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, 2018, the District’s carrying amount of deposits totaled \$5,790,614, and the bank balances totaled \$5,844,555. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

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

**NOTE 4: CAPITAL ASSETS**

**Water System**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	<b>Restated Balance Jan 1</b>	<b>Additions</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 1</b>
Capital Assets, Not Being Depreciated					
Land	\$ 105,381	\$ -	\$ -	\$ -	\$ 105,381
Construction in Progress	7,061,021	382,576	-	(7,443,597)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 7,166,402</b>	<b>\$ 382,576</b>	<b>-</b>	<b>\$ (7,443,597)</b>	<b>\$ 105,381</b>
Capital Assets, Being Depreciated					
Buildings/Structures	\$ 3,752,946	\$ -	\$ -	\$ 1,460,022	\$ 5,212,968
Pipelines	22,892,183	61,797	-	5,983,575	28,937,555
Equipment	363,742	45,271	23,625	-	385,388
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 27,008,871</b>	<b>\$ 107,068</b>	<b>\$ 23,625</b>	<b>\$ 7,443,597</b>	<b>\$ 34,535,911</b>
Less Accumulated Depreciation					
Buildings/Structures	\$ 2,066,290	\$ 132,856	\$ -	\$ -	\$ 2,199,146
Pipelines	4,658,480	385,834	-	-	5,044,314
Equipment	247,178	41,883	18,900	-	270,161
<b>Total Accumulated Depreciation</b>	<b>\$ 6,971,948</b>	<b>\$ 560,573</b>	<b>\$ 18,900</b>	<b>-</b>	<b>\$ 7,513,621</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 20,036,923</b>	<b>\$ (453,505)</b>	<b>\$ 4,725</b>	<b>\$ 7,443,597</b>	<b>\$ 27,022,290</b>
<b>Total Capital Assets, Net</b>	<b>\$ 27,203,325</b>	<b>\$ (70,929)</b>	<b>\$ 4,725</b>	<b>-</b>	<b>\$ 27,127,671</b>

Depreciation expense was charged to conservation of natural resources.

**Sewer System**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	<b>Balance Jan 1</b>	<b>Additions</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 1</b>
Capital Assets, Not Being Depreciated					
Land	\$ 8,460	\$ -	\$ -	\$ -	\$ 8,460
Capital Assets, Being Depreciated					
Buildings/Structures	\$ 714,123	\$ -	\$ -	\$ -	\$ 714,123
Pipelines	7,247,136	55,740	-	-	7,302,876
Equipment	198,198	15,090	7,875	-	205,413
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 8,159,457</b>	<b>\$ 70,830</b>	<b>\$ 7,875</b>	<b>-</b>	<b>\$ 8,222,412</b>
Less Accumulated Depreciation					
Buildings/Structures	\$ 346,691	\$ 24,193	\$ -	\$ -	\$ 370,884
Pipelines	2,071,492	97,372	-	-	2,168,864
Equipment	172,439	9,861	6,300	-	176,000
<b>Total Accumulated Depreciation</b>	<b>\$ 2,590,622</b>	<b>\$ 131,426</b>	<b>\$ 6,300</b>	<b>\$ -</b>	<b>\$ 2,715,748</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 5,568,835</b>	<b>\$ (60,596)</b>	<b>\$ 1,575</b>	<b>\$ -</b>	<b>\$ 5,506,664</b>
<b>Total Capital Assets, Net</b>	<b>\$ 5,577,295</b>	<b>\$ (60,596)</b>	<b>\$ 1,575</b>	<b>\$ -</b>	<b>\$ 5,515,124</b>

Depreciation expense was charged to conservation of natural resources.

**NOTE 5: LONG-TERM LIABILITIES**

**Water System**

The following changes occurred in long-term liabilities for the year ended 2018:

	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 42,954	\$ -	\$ 5,619	\$ 37,335	\$ 14,934
Net Pension and OPEB Liability	436,238	-	12,334	423,904	-
<b>Total Long-Term Liabilities</b>	<b>\$ 479,192</b>	<b>\$ -</b>	<b>\$ 17,953</b>	<b>\$ 461,239</b>	<b>\$ 14,934</b>

\* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

**Sewer System**

The following changes occurred in long-term liabilities for the year ended 2018:

	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 14,318	\$ -	\$ 1,873	\$ 12,445	\$ 4,978
Net Pension and OPEB Liability	115,936	-	4,752	111,184	-
<b>Total Long-Term Liabilities</b>	<b>\$ 130,254</b>	<b>\$ -</b>	<b>\$ 6,625</b>	<b>\$ 123,629</b>	<b>\$ 4,978</b>

\* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

**NOTE 6: 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 nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last

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

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 for 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.

**Member and Employer Contributions**

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

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 24 months of service	Greater of two percent of monthly salary or \$25
25 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

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

At December 31, 2018, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Water System	\$ 406,111
Sewer System	106,517

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the Water District had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Water System	0.024064%	-0.001872%	\$ 65,215
Sewer System	0.006312%	-0.000581%	17,105

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Water System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,076	\$ 13,817
Changes of Assumptions	146,598	5,797
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,976
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,610	14,659
District Contributions Subsequent to the Measurement Date	11,404	-
<b>Total Primary Government</b>	<b>\$ 164,688</b>	<b>\$ 36,249</b>

<b>Sewer System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 282	\$ 3,624
Changes of Assumptions	38,450	1,520
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	518
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,472	3,845
District Contributions Subsequent to the Measurement Date	2,991	-
<b>Total Water Resource District</b>	<b>\$ 43,195</b>	<b>\$ 9,507</b>

The following amounts were 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, 2019.

Water System	\$ 11,404
Sewer System	2,991

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

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

	<b>Water System</b>	<b>Sewer System</b>
2019	\$ 40,019	\$ 10,496
2020	34,619	9,080
2021	28,585	7,497
2022	14,051	3,685
2023	(238)	(62)

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%



**Discount rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate**

The following presents the Water District's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Water System	\$ 551,830	\$ 406,111	\$ 284,514
Sewer System	144,736	106,517	74,624

**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 7: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly

appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Water System	\$ 17,793
Sewer System	4,667

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the Water District had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Water System	0.022592%	-0.001881%	\$ 2,022
Sewer System	0.005926%	-0.000579%	530

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

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Water System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 534	\$ 368
Changes of Assumptions	1,460	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	383
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	1,098
District Contributions Subsequent to the Measurement Date	1,574	-
<b>Total Primary Government</b>	<b>\$ 3,568</b>	<b>\$ 1,848</b>

<b>Sewer System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 140	\$ 96
Changes of Assumptions	383	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	100
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	288
District Contributions Subsequent to the Measurement Date	413	-
<b>Total Water Resource District</b>	<b>\$ 936</b>	<b>\$ 485</b>

The following amounts were 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, 2019.

Water System	\$ 1,574
Sewer System	413

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

	<b>Water System</b>	<b>Sewer System</b>
2019	\$ (25)	\$ (7)
2020	(25)	(7)
2021	(25)	(7)
2022	143	38
2023	112	30
2024	(8)	(2)
Thereafter	(26)	(7)

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

Proportionate Share of the OPEB Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Water	\$ 22,512	\$ 17,793	\$ 13,747
Sewer	5,905	4,667	3,606

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has insurance through Allied World Specialty Insurance 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 \$8,879,857 for real property and an additional two 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 currently provides the District with blanket fidelity bond coverage in the amount of \$1,829,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has workers compensation with the North Dakota Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

**GREATER RAMSEY WATER DISTRICT**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>Water System</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.024064%	\$ 406,111	\$ 247,214	164.28%	62.80%
2017	0.025936%	416,879	264,767	157.45%	61.98%
2016	0.088298%	247,267	255,680	96.71%	70.46%
2015	0.082967%	166,063	217,570	76.33%	77.15%
2014	0.066776%	155,962	206,982	75.35%	77.70%

<b>Sewer System</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.006312%	\$ 106,517	\$ 64,840	164.28%	62.80%
2017	0.006893%	110,791	70,366	157.45%	61.98%
2016	0.006743%	65,715	67,950	96.71%	70.46%
2015	0.006490%	44,133	57,822	76.33%	77.15%
2014	0.006530%	41,449	55,008	75.35%	77.70%

The accompanying required supplementary notes are an integral part of this schedule.

**GREATER RAMSEY WATER DISTRICT**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued  
 For the Year Ended December 31, 2018

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

<b>Water System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 18,208	\$ 19,771	\$ (1,563)	\$ 247,214	8.00%
2017	19,199	18,851	348	264,767	7.12%
2016	18,511	17,618	893	255,680	6.89%
2015	16,526	15,491	1,035	217,570	7.12%
2014	14,737	14,737	-	206,982	7.12%

<b>Sewer System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 4,776	\$ 5,186	\$ (410)	\$ 64,840	8.00%
2017	5,102	5,010	92	70,366	7.12%
2016	4,920	4,682	238	67,950	6.89%
2015	4,392	4,117	275	57,822	7.12%
2014	3,917	3,917	-	55,008	7.12%

The accompanying required supplementary notes are an integral part of this schedule.

**GREATER RAMSEY WATER DISTRICT**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>Water System</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.022592%	\$ 17,793	\$ 247,214	7.20%	61.89%
2017	0.024474%	19,359	264,767	7.31%	59.78%

<b>Sewer System</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.005926%	\$ 4,667	\$ 64,840	7.20%	61.89%
2017	0.006504%	5,145	70,366	7.31%	59.78%

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

<b>Water System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 2,900	\$ 3,166	\$ (266)	\$ 247,214	1.28%
2017	3,078	3,019	59	264,767	1.14%

<b>Sewer System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 760	\$ 830	\$ (70)	\$ 64,840	1.28%
2017	818	802	16	70,366	1.14%

The accompanying required supplementary notes are an integral part of this schedule.



## **GREATER RAMSEY WATER DISTRICT**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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### **NOTE 1: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented

### **NOTE 2: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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Independent Auditor's Report

Board of District Commissioners  
Greater Ramsey Water District  
Devils Lake, 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 and each major fund of Greater Ramsey Water District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Greater Ramsey Water District's basic financial statements, and have issued our report thereon dated August 1, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 DISTRICT**

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

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**Greater Ramsey Water District’s Response to Findings**

Greater Ramsey Water District’s response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. 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.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 1, 2019

# GREATER RAMSEY WATER DISTRICT

Summary of Auditor's Results  
For the Year Ended December 31, 2018

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## Financial Statements

Type of Report Issued?	
Business-Type Activities	Unmodified
Major Funds	Unmodified

## Internal control over financial reporting

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

# GREATER RAMSEY WATER DISTRICT

Schedule of Audit Findings

For the Year Ended December 31, 2018

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## New Findings

### 2018-001 – FINANCIAL STATEMENT PREPARATION

#### Condition

Greater Ramsey Water District does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of financial statements and note disclosures.

#### Criteria

Management of Greater Ramsey Water District is responsible for establishing proper internal control over the preparation of Greater Ramsey Water District's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

#### Cause

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

#### Effect

There is an increased risk of material misstatement to the Greater Ramsey Water District's financial statements.

#### Recommendation

We recommend the Greater Ramsey Water District design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

#### Greater Ramsey Water District's Response

Agree. We are aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

**2018-002 – ADJUSTING JOURNAL ENTRIES**

**Condition**

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Criteria**

Greater Ramsey Water District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

Inadequate internal controls over recording of transactions affects Greater Ramsey Water District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Recommendation**

We recommend that Greater Ramsey Water District design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**Greater Ramsey Water District's Response**

Agree. Greater Ramsey Water District does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

## **Repeat Finding**

### **2018-003 – SEGREGATION OF DUTIES**

#### **Condition**

Greater Ramsey Water District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

#### **Criteria**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

#### **Cause**

Management has chosen to allocate its resources to other functions of the Greater Ramsey Water District.

#### **Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the district's financial condition.

#### **Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

#### **Greater Ramsey Water District's Response**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water District.



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**OFFICE OF THE STATE AUDITOR**  
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FARGO, NORTH DAKOTA 58103

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## GOVERNANCE COMMUNICATION

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Board of District Commissioners  
Greater Ramsey Water District  
Devils Lake, North Dakota

We have audited the financial statements of the business-type activities and each major fund of Greater Ramsey Water District, North Dakota, for the year ended December 31, 2018 which collectively comprise Greater Ramsey Water District's basic financial statements and have issued our report thereon dated August 1, 2019. 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 and by the Uniform Guidance**

As stated in our engagement letter dated June 26, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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, or fraud 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on 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 grant agreements and other matters, 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.

### **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 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, 2018. 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. Management has corrected all such misstatements. The schedule below lists all misstatements identified by the client and detected as a result of audit procedures that were corrected by management.

<b>WATER SYSTEM</b>		
<b>Client Provided Adjustments</b>		
Accounts Receivable	91,593	
Revenue		91,593
Expenditures	5,957	
Accounts Payable		5,957
<b>SEWER SYSTEM</b>		
<b>Client Provided Adjustments</b>		
Accounts Receivable	30,531	
Revenue		30,531
Expenditures	824	
Accounts Payable		824

**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 August 1, 2019.

**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 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 and completing 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.

The following presents our informal recommendations:

\* \* \* \* \*

**FRAUD RISK ASSESSMENT**

Greater Ramsey Water District does not currently prepare a fraud risk assessment of the entire entity. If the District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the District's goals in reporting, reliance, and accountability.

We recommend Greater Ramsey Water District prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

\* \* \* \* \*

This information is intended solely for the use of the Board of District Commissioners and management of 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 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 Greater Ramsey Water District.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 1, 2019

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