

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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>	18
SCHEDULE OF FINDINGS AND RESPONSES	20

AGASSIZ WATER USERS DISTRICT
BOARD OF DIRECTORS
DECEMBER 31, 2019

Eric Stanislawski	President
Chad Thorvilson	Vice President
Diane McDonald	Secretary
Michael Lund	Director
Matt Korynta	Director
Bret Burkholder	Director
Patricia Paschke	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, 2019, 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, 2019, 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 March 20, 2020, 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

March 20, 2020

**AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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 2019 by \$2,346,450.
- The District's total operating revenue increased by \$300,458 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, 2019

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 \$2,346,450 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>12/31/2019</u>	<u>12/31/2018</u>
ASSETS		
Current Assets	\$ 921,234	\$ 852,586
Capital Assets		
Property and Equipment	6,889,534	6,652,188
Less Accumulated Depreciation	(5,229,748)	(5,104,404)
Other Assets	40,472	41,727
TOTAL ASSETS	<u>2,621,492</u>	<u>2,442,097</u>
LIABILITIES		
Current Liabilities	270,570	55,913
Current Portion	4,472	21,480
Long-Term Liabilities		
Non-Current Portion	-	4,472
TOTAL LIABILITIES	<u>275,042</u>	<u>81,865</u>
NET POSITION		
Net Investment in Capital Assets	1,655,314	1,521,832
Unrestricted	691,136	838,400
TOTAL NET POSITION	<u>\$2,346,450</u>	<u>\$2,360,232</u>

Statement of Revenues, Expenses and Changes in Net Position

	<u>12/31/2019</u>	<u>12/31/2018</u>
REVENUES AND EXPENSES		
Operating Revenue	\$ 918,140	\$ 617,682
Operating Expenses	1,018,541	755,747
Operating Income (Loss)	(100,401)	(138,065)
Non-Operating Revenues (Expenses)	86,619	10,880
NET INCOME (LOSS)	(13,782)	(127,185)
NET POSITION, BEGINNING OF YEAR	<u>2,360,232</u>	<u>2,487,417</u>
NET POSITION, END OF YEAR	<u>\$2,346,450</u>	<u>\$2,360,232</u>

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

CAPITAL ASSETS

At December 31, 2019, the District had \$1,659,786 invested in capital assets including improvements, buildings, equipment, vehicles, and construction in progress. 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/amortization of depreciable assets for the year.

	Balance 12/31/2018	Additions	Disposals	Balance 12/31/2019
Capital Assets				
Plant, Building, and Improvements	\$6,451,725	\$ 137,283	\$ -	\$6,589,008
Furniture, Fixtures, and Equipment	96,279	1,122	-	97,401
Transportation Equipment and Tools	104,184	2,306	-	106,490
Software	-	10,160	-	10,160
Construction in Progress	-	86,475	-	86,475
Total	<u>6,652,188</u>	<u>237,346</u>	<u>-</u>	<u>6,889,534</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,923,952	114,350	-	5,038,302
Furniture, Fixtures, and Equipment	95,536	536	-	96,072
Transportation Equipment and Tools	84,916	9,275	-	94,191
Software	-	1,183	-	1,183
Total	<u>5,104,404</u>	<u>125,344</u>	<u>-</u>	<u>5,229,748</u>
Net Capital Assets	<u>\$ 1,547,784</u>	<u>\$ 112,002</u>	<u>\$ -</u>	<u>\$ 1,659,786</u>

DEBT

The District had \$154,472 in a line of credit and notes outstanding at year-end, compared to \$25,951 last year, an increase of \$128,521 as shown in the table below.

Payee	Interest Rate	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Due Within 1 year
Bremer Bank - LOC	3.60%	\$ -	\$150,000	\$ -	\$ 150,000	\$ 150,000
Bank of North Dakota	3.00%	25,951	-	21,479	4,472	4,472
		<u>\$ 25,951</u>	<u>\$150,000</u>	<u>\$ 21,479</u>	<u>\$ 154,472</u>	<u>\$ 154,472</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 Eric Stanislawski, President, at PO Box 185, Gilby, ND 58235 or by calling (701) 869-2690.

AGASSIZ WATER USERS DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 578,155
Receivables	
Trade Accounts (Net Allowance of \$32,391)	106,564
Interest	3,743
Unbilled Member Accounts	48,209
Federal Grant	69,500
Inventories	88,863
Prepaid Expenses	26,200
Total Current Assets	<u>921,234</u>

CAPITAL ASSETS

Plant, Building, and Improvements	6,589,008
Transportation Equipment and Tools	106,490
Furniture, Fixtures, and Equipment	97,401
Software	10,160
Construction in Progress	86,475
Less Accumulated Depreciation	(5,229,748)
Net Property and Equipment	<u>1,659,786</u>

OTHER ASSETS

Capital Credits	<u>40,472</u>
Total Other Assets	<u>40,472</u>

TOTAL ASSETS	<u><u>2,621,492</u></u>
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LIABILITIES

CURRENT LIABILITIES

Trade Accounts Payable	117,234
Line of Credit	150,000
Current Portion of Long-term Debt	4,472
Payroll Taxes	1,017
Other Accrued Expenses	
Accrued Interest	438
Other	1,881
Total Current Liabilities	<u>275,042</u>

TOTAL LIABILITIES	<u><u>275,042</u></u>
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NET POSITION

Net Investment in Capital Assets	1,655,314
Unrestricted	691,136
TOTAL NET POSITION	<u><u>\$2,346,450</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, 2019

OPERATING REVENUES	
Metered Water	\$ 857,275
Unmetered Water	24,892
Penalties and Other	20,543
Refunds and Reimbursements	15,430
Total Operating Revenue	<u>918,140</u>
OPERATING EXPENSES	
Salaries	242,324
Treated Water Purchased	127,930
Payroll Taxes	18,538
Power Purchases for Pumping	43,237
Plant Repairs and Supplies	243,739
Mileage Reimbursements	2,395
Vehicle Expense	27,272
Depreciation - Plant	114,349
Depreciation - Office Furniture and Equipment	536
Depreciation - Vehicle	9,275
Amortization - Software	1,184
Computer Expenses	887
Postage and Office Supplies	13,069
Telephone	7,697
Professional Fees	16,391
Utilities - Office	4,481
Unemployment and Workers' Compensation	2,417
Dues and Subscriptions	5,307
Other General Administrative Expenses	10,188
Engineering Fees	32,451
Lab Testing Fees	3,284
Employee Retirement	10,408
Employee Health Insurance	44,753
Employee Education	761
Insurance - Other	16,593
Directors Fees and Meeting Expense	685
Bad Debts	18,390
Total Operating Expenses	<u>1,018,541</u>
OPERATING LOSS	<u>(100,401)</u>
NON-OPERATING REVENUES (EXPENSES)	
Sign-up Fees	12,000
Interest Expense	(1,383)
Interest Income	3,842
Capital Credits	2,660
Federal Grant Revenue	69,500
Total Non-Operating Revenues (Expenses)	<u>86,619</u>
EXCESS OF EXPENSES OVER REVENUES	<u>(13,782)</u>
NET POSITION, BEGINNING OF YEAR	<u>2,360,232</u>
NET POSITION, END OF YEAR	<u><u>\$2,346,450</u></u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash Received from Customers	\$ 873,465
Cash Payments for Materials and Services	(626,384)
Cash Payments to Employees for Services	(242,324)
Net Cash Provided by Operating Activities	<u>4,757</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(237,346)
Sign up Fees	12,000
Proceeds on Line of Credit	150,000
Payments on Long-Term Debt - Principal	(21,479)
Payments on Long-Term Debt - Interest	(1,681)
Net Cash Used by Capital and Related Financing Activities	<u>(98,506)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Capital Credits	3,915
Interest Income	2,230
Net Cash Provided by Investing Activities	<u>6,145</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,604)
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>665,759</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 578,155</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (100,401)
Depreciation & Amortization	125,344
Changes in:	
Receivables, Excluding Interest Receivable	(44,675)
Inventories	(33,123)
Prepaid Expenses	(7,342)
Trade Accounts Payable	67,628
Taxes Accrued or Payable	(3,357)
Other Payables	683
Net Cash Provided by Operating Activities	<u>\$ 4,757</u>

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019

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 Prepaids

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.

Prepaids 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. Software is amortized over 3 years using the straight-line method.

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, 2019, the allowance is \$32,391. If the District were to recover any bad debts previously written off, they would be reported as income.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

Capital Credits

Capital credits are stated at cost and consist primarily of stock in cooperatives' and long-term patronage dividend receivables.

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, 2019 are comprised of the following:

Deposit Accounts	\$ 113,209
Money Market Accounts	14,639
Time Deposits	<u>450,307</u>
Total	<u>\$ 578,155</u>

At December 31, 2019 the bank balance was \$583,425, of the total deposits, \$533,425 was covered by Federal Depository Insurance. The remaining deposits of \$50,000 was not collateralized.

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.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 was as follows:

	Balance 12/31/2018	Additions	Disposals	Balance 12/31/2019
Capital Assets				
Plant, Building, and Improvements	\$6,451,725	\$ 137,283	\$ -	\$6,589,008
Furniture, Fixtures, and Equipment	96,279	1,122	-	97,401
Transportation Equipment and Tools	104,184	2,306	-	106,490
Software	-	10,160	-	10,160
Construction in Progress	-	86,475	-	86,475
Total	<u>6,652,188</u>	<u>237,346</u>	<u>-</u>	<u>6,889,534</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,923,952	114,350	-	5,038,302
Furniture, Fixtures, and Equipment	95,536	536	-	96,072
Transportation Equipment and Tools	84,916	9,275	-	94,191
Software	-	1,183	-	1,183
Total	<u>5,104,404</u>	<u>125,344</u>	<u>-</u>	<u>5,229,748</u>
Net Capital Assets	<u>\$1,547,784</u>	<u>\$ 112,002</u>	<u>\$ -</u>	<u>\$1,659,786</u>

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 LONG-TERM INDEBTEDNESS

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

Payee	Interest Rate	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Due Within 1 year
Bremer Bank - LOC	3.60%	\$ -	\$150,000	\$ -	\$ 150,000	\$ 150,000
Bank of North Dakota	3.00%	25,951	-	21,479	4,472	4,472
		<u>\$ 25,951</u>	<u>\$150,000</u>	<u>\$ 21,479</u>	<u>\$ 154,472</u>	<u>\$ 154,472</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 District has an available line of credit of \$300,000 at Bremer Bank to fund a capital project which is collateralized by a certificate of deposit held at Bremer Bank. The line of credit matures on June 24, 2024.

The aggregate amount of anticipated future principal and interest payments on the District's long-term debt at December 31, 2019, is as follows:

Years Ending December 31,	Principal	Interest	Total
2024	<u>\$ 154,472</u>	<u>\$ 438</u>	<u>\$ 154,910</u>
Total	<u>\$ 154,472</u>	<u>\$ 438</u>	<u>\$ 154,910</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, 2019, 2018, and 2017, the District contributed \$9,263, \$12,265, and \$12,054, respectively, into this Plan.

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Beginning in December 2019, Agassiz Water Users District participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. 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.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Member and Employer Contributions

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

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

Agassiz Water Users District required and actual contributions to NDPERS for the fiscal year ended December 31, 2019 was \$1,145.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

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.

NOTE 8 NEW PRONOUNCEMENTS

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. 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, 2019

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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 District's year end. Subsequent events have been evaluated through March 20, 2020, 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, 2019, 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 March 20, 2020.

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 2019-001 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 2019-002 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

March 20, 2020

**AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding 2019-001 – 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 and continue to have the Board review and approve financial activity.

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. We will continue to have the Board review and approve financial activity.

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding 2019-002 – Significant Deficiency

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with the regulatory basis of accounting.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. For the year ended December 31, 2019, the District's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the District does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The Board is aware of this significant deficiency and addresses it by obtaining the auditor's assistance in the preparation of the District's annual financial statements.

Cause

The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Board is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

We recommend the District review its current training system to determine if it is cost effective for the District to obtain this knowledge internally. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

Response:

The District agrees with the recommendation and will review on an annual basis.

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding 2019-003 – Significant Deficiency

Criteria

The District should maintain adequate pledged collateral for deposits held at financial institutions that are deposited in excess than FDIC insurance funds.

Condition

As required by the ND Century Code, the District is must maintain pledged collateral in the amount of 110 percent of public deposits.

Cause

The District did not maintain adequate pledged collateral as of December 31, 2019.

Effect

The uncollateralized portion of deposits amounted to \$50,000 as of December 31, 2019.
The District failed to meet the 110 percent pledged collateral requirement by \$55,000.

Recommendation

We recommend the District and its correspondent financial institution enroll the District in a pledged collateral pool to maintain compliance with the ND Century Code.

Response:

The District agrees with the recommendation and will contact the financial institution.

