

AGASSIZ WATER USERS DISTRICT
GILBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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AGASSIZ WATER USERS DISTRICT
BOARD OF DIRECTORS
DECEMBER 31, 2020

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, 2020, 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, 2020, 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, schedule of District's contributions to the NDPERS pension plan, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's and non-employer proportionate share of net pension liability, and schedule of District's and non-employer proportionate share of net OPEB liability 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, 2021, 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, 2021

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the year 2020 by \$4,813,147.
- The District's total operating revenue increased by \$7,464 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
- Required Pension and OPEB Schedules

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, 2020**

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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,813,147 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>12/31/2020</u>	<u>12/31/2019</u>
ASSETS		
Current Assets	\$ 1,272,489	\$ 921,234
Capital Assets		
Property and Equipment	9,939,639	6,889,534
Less Accumulated Depreciation	(5,260,465)	(5,229,748)
Other Assets	43,379	40,472
TOTAL ASSETS	<u>5,995,042</u>	<u>2,621,492</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>134,656</u>	<u>-</u>
LIABILITIES		
Current Liabilities	245,665	270,570
Current Portion	27,616	4,472
Long-Term Liabilities		
Non-Current Portion	1,023,771	-
TOTAL LIABILITIES	<u>1,297,052</u>	<u>275,042</u>
DEFERRED INFLOWS OF RESOURCES	<u>19,499</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	3,770,762	1,655,314
Unrestricted	1,042,385	691,136
TOTAL NET POSITION	<u>\$ 4,813,147</u>	<u>\$ 2,346,450</u>

**AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020**

Statement of Revenues, Expenses and Changes in Net Position

	12/31/2020	12/31/2019
REVENUES AND EXPENSES		
Operating Revenue	\$ 925,604	\$ 918,140
Operating Expenses	860,550	1,018,541
Operating Income (Loss)	65,054	(100,401)
Non-Operating Revenues (Expenses)	2,401,643	86,619
NET INCOME (LOSS)	2,466,697	(13,782)
NET POSITION, BEGINNING OF YEAR	2,346,450	2,360,232
NET POSITION, END OF YEAR	<u>\$ 4,813,147</u>	<u>\$ 2,346,450</u>

CAPITAL ASSETS

At December 31, 2020, the District had \$4,679,174 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. See Note 4 for additional information.

DEBT

The District had \$1,051,387 in a line of credit and notes outstanding at year-end, compared to \$154,472 last year, an increase of \$896,915 as shown in the table below. See Note 5 for additional information.

Payee	Interest Rate	Balance 12/31/2019	Issued	Retired	Balance 12/31/2020	Due Within 1 year
Bremer Bank - LOC	3.60%	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
Bank of North Dakota	3.00%	4,472	-	4,472	-	-
Bank of North Dakota 2020	1.50%	-	744,325	-	744,325	26,000
Live Oak Banking Company	4.34%	-	165,000	913	164,087	1,616
Net Pension Liability		-	150,991	11,622	139,369	-
Net OPEB Liability		-	4,500	894	3,606	-
		<u>\$ 154,472</u>	<u>\$ 1,064,816</u>	<u>\$ 167,901</u>	<u>\$ 1,051,387</u>	<u>\$ 27,616</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.

AGASSIZ WATER USERS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

CONTACTING THE DISTRICT'S MANAGEMENT

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

AGASSIZ WATER USERS DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 851,603
Receivables	
Trade Accounts (Net Allowance of \$32,391)	110,869
Interest	6,105
Unbilled Member Accounts	62,728
State Grant	157,996
Inventories	71,885
Prepaid Expenses	11,303
Total Current Assets	<u>1,272,489</u>
CAPITAL ASSETS	
Plant, Building, and Improvements	6,595,345
Transportation Equipment and Tools	99,282
Furniture, Fixtures, and Equipment	30,501
Software	26,255
Construction in Progress	3,188,256
Less Accumulated Depreciation	<u>(5,260,465)</u>
Net Property and Equipment	<u>4,679,174</u>
OTHER ASSETS	
Capital Credits	<u>43,379</u>
Total Other Assets	<u>43,379</u>
TOTAL ASSETS	<u>5,995,042</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - NDPERS	130,979
Cost Sharing Defined Benefit OPEB Plan - NDPERS	<u>3,677</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>134,656</u>
LIABILITIES	
CURRENT LIABILITIES	
Trade Accounts Payable	32,928
Contractors Payable	50,625
Retainage Payable	147,615
Customer Prepayments	9,736
Current Portion of Long-term Debt	27,616
Accrued Interest	3,444
Other	<u>1,317</u>
Total Current Liabilities	<u>273,281</u>
LONG-TERM LIABILITIES	
Loan, Net of Current Portion	880,796
Net Pension Liability	139,369
Net OPEB Liability	<u>3,606</u>
Total Long-Term Liabilities	<u>1,023,771</u>
TOTAL LIABILITIES	<u>1,297,052</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - NDPERS	19,413
Cost Sharing Defined Benefit OPEB Plan - NDPERS	<u>86</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,499</u>
NET POSITION	
Net Investment in Capital Assets	3,770,762
Unrestricted	<u>1,042,385</u>
TOTAL NET POSITION	<u>\$ 4,813,147</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, 2020

OPERATING REVENUES	
Metered Water	\$ 726,858
Unmetered Water	5,147
Monthly Facility Charge	180,880
Penalties and Other	12,433
Refunds and Reimbursements	286
Total Operating Revenue	<u>925,604</u>
OPERATING EXPENSES	
Salaries	217,931
Treated Water Purchased	122,039
Payroll Taxes	16,655
Power Purchases for Pumping	39,034
Plant Repairs and Supplies	105,017
Mileage Reimbursements	1,511
Vehicle Expense	20,286
Depreciation - Plant	112,491
Depreciation - Office Furniture and Equipment	449
Depreciation - Vehicle	7,913
Amortization - Software	5,559
Computer Expenses	9,836
Postage and Office Supplies	20,323
Telephone	6,983
Professional Fees	22,518
Utilities - Office	4,152
Unemployment and Workers' Compensation	1,703
Dues and Subscriptions	4,360
Other General Administrative Expenses	17,580
Engineering Fees	18,056
Lab Testing Fees	2,155
Employee Retirement	43,355
Employee Health Insurance	44,480
Employee Education	1,631
Insurance - Other	14,533
Total Operating Expenses	<u>860,550</u>
OPERATING INCOME	<u>65,054</u>
NON-OPERATING REVENUES (EXPENSES)	
Sign-up Fees	10,000
Interest Expense	(9,994)
Interest Income	5,328
Capital Credits	2,907
State Grant Revenue	2,390,971
Miscellaneous Income	2,431
Total Non-Operating Revenues (Expenses)	<u>2,401,643</u>
EXCESS OF REVENUES OVER EXPENSES	2,466,697
NET POSITION, BEGINNING OF YEAR	<u>2,346,450</u>
NET POSITION, END OF YEAR	<u>\$ 4,813,147</u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash Received from Customers	\$ 906,778
Cash Payments for Materials and Services	(334,425)
Cash Payments to Employees for Services	(217,931)
Net Cash Provided by Operating Activities	<u>354,422</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(3,145,798)
Sign up Fees	10,000
Miscellaneous Income	2,431
State Grants	2,232,975
Federal Grants	69,500
Payments on Line of Credit	(150,000)
Proceeds from Long-Term Debt	909,325
Payments on Long-Term Debt - Principal	(5,385)
Payments on Long-Term Debt - Interest	(6,989)
Net Cash Used by Capital and Related Financing Activities	<u>(83,941)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Interest Income	2,966
Net Cash Provided by Investing Activities	<u>2,966</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	273,447
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>578,156</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 851,603</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 65,054
Depreciation & Amortization	126,412
Changes in:	
Receivables, Excluding Interest Receivable	(18,826)
Inventories	16,978
Prepaid Expenses	14,897
Customer Prepayments	9,736
Trade Accounts Payable	113,934
Taxes Accrued or Payable	(1,017)
Pension Liabilities	27,803
OPEB Liabilities	15
Other Payables	(564)
Net Cash Provided by Operating Activities	<u>\$ 354,422</u>

See Notes to the Financial Statements

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Nature of Operations

Agassiz Water Users District is a District 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, 2020

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 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, 2020, 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, 2020

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 plus unretired patronage dividends and consist primarily of stock in cooperatives and long-term patronage dividend receivables.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS pension plan and NDPERS OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS pension plan and NDPERS OPEB plan.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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 Districts 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, 2020 are comprised of the following:

Deposit Accounts	\$ 386,906
Money Market Accounts	14,649
Time Deposits	<u>450,048</u>
Total	<u>\$ 851,603</u>

At December 31, 2020 the bank balance was \$861,126, of the total deposits, \$651,166 was covered by Federal Depository Insurance. The remaining deposits of \$209,960 was covered by collateralization provided by the associated financial institutions.

Interest Rate Risk

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

Credit Risk

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

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

- 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 Districts 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, 2020 was as follows:

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
Capital Assets				
Plant, Building, and Improvements	\$ 6,589,008	\$ 6,337	\$ -	\$ 6,595,345
Furniture, Fixtures, and Equipment	97,401		66,900	30,501
Transportation Equipment and Tools	106,491	21,585	28,794	99,282
Software	10,160	16,095	-	26,255
Construction in Progress	86,475	3,101,781	-	3,188,256
Total	<u>6,889,535</u>	<u>3,145,798</u>	<u>95,694</u>	<u>9,939,639</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	5,038,301	112,491	-	5,150,792
Furniture, Fixtures, and Equipment	96,071	449	66,900	29,620
Transportation Equipment and Tools	94,192	7,913	28,794	73,311
Software	1,183	5,559		6,742
Total	<u>5,229,747</u>	<u>126,412</u>	<u>95,694</u>	<u>5,260,465</u>
Net Capital Assets	<u>\$ 1,659,788</u>	<u>\$ 3,019,386</u>	<u>\$ -</u>	<u>\$ 4,679,174</u>

AGASSIZ WATER USERS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 LONG-TERM INDEBTEDNESS

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

Payee	Interest Rate	Balance 12/31/2019	Issued	Retired	Balance 12/31/2020	Due Within 1 year
Bremer Bank - LOC	3.60%	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
Bank of North Dakota	3.00%	4,472	-	4,472	-	-
Bank of North Dakota 2020	1.50%	-	744,325	-	744,325	26,000
Live Oak Banking Company	4.34%	-	165,000	913	164,087	1,616
Net Pension Liability		-	150,991	11,622	139,369	-
Net OPEB Liability		-	4,500	894	3,606	-
		<u>\$ 154,472</u>	<u>\$ 1,064,816</u>	<u>\$ 167,901</u>	<u>\$ 1,051,387</u>	<u>\$ 27,616</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), the loan matured 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 District obtained a bond in 2020 from the North Dakota Public Finance Authority in the amount of \$996,000 on 9/1/2020. This bond has an interest rate of 1.50% and the date of final maturity is September 1, 2050. As of December 31, 2020, only \$744,325 has been drawn down on this note.

The annual requirements to amortize the bond is as follows:

	Principal	Interest	Total
2021	\$ 26,000	\$ 14,940	\$ 40,940
2022	25,000	14,550	39,550
2023	25,000	14,175	39,175
2024	25,000	13,800	38,800
2025	25,000	13,425	38,425
2026-2030	145,000	61,050	206,050
2031-2035	150,000	49,875	199,875
2036-2040	175,000	37,875	212,875
2041-2045	190,000	24,525	214,525
2046-2050	210,000	9,675	219,675
	<u>\$ 996,000</u>	<u>\$ 253,890</u>	<u>\$ 1,249,890</u>

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

The District obtained a loan in 2020 from Live Oak Banking Company in the amount of \$165,000 on March 31, 2020. This loan has an interest rate of 4.34% and the date of final maturity is April 5, 2060.

The annual requirements to amortize the note is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,616	\$ 7,088	\$ 8,704
2022	1,687	7,017	8,704
2023	1,762	6,942	8,704
2024	1,840	6,864	8,704
2025	1,921	6,783	8,704
2026-2030	10,961	32,559	43,520
2031-2035	13,612	29,908	43,520
2036-2040	16,904	26,616	43,520
2041-2045	20,992	22,528	43,520
2046-2050	26,069	17,451	43,520
2051-2055	32,374	11,146	43,520
2056-2060	34,321	3,396	37,717
	<u>\$ 164,059</u>	<u>\$ 178,297</u>	<u>\$ 342,356</u>

The aggregate amount of anticipated future principal and interest payments on the District's long-term debt at December 31, 2020, is as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,616	\$ 22,028	\$ 49,644
2022	26,687	21,567	48,254
2023	26,762	21,117	47,879
2024	26,840	20,664	47,504
2025	26,921	20,208	47,129
2026-2030	155,961	93,609	249,570
2031-2035	163,612	79,783	243,395
2036-2040	191,904	64,491	256,395
2041-2045	210,992	47,053	258,045
2046-2050	236,069	27,126	263,195
2051-2055	32,374	11,146	43,520
2056-2060	34,321	3,396	37,717
Total	<u>\$ 1,160,059</u>	<u>\$ 432,187</u>	<u>\$ 1,592,246</u>

NOTE 6 PENSION PLAN

In December 2019, the District joined the North Dakota Public Employee's Retirement System (NDPERS) administered by the State of North Dakota.

Disclosures relating to this plan follow:

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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. 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). For members hired on or after January 1, 2016, the Rule of 85 was 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 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% 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, 2020, the District reported a liability of \$139,369 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.004430 percent.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, the District recognized pension expense of \$36,547. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 542	\$ 7,062
Changes in actuarial assumptions	74,710	12,351
Difference between projected and actual investment earnings	4,498	-
Changes in proportion	45,688	-
Contributions paid to NDPERS subsequent to the measurement date	5,541	-
Total	<u>\$ 130,979</u>	<u>\$ 19,413</u>

\$5,541 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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

Year ending December 31:	Pension Expense Amount
2021	\$ 29,693
2022	27,250
2023	24,346
2024	24,736
2025	-

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	3.64%	4.64%	5.64%
District's proportionate share of the NDPERS net pension liability:	\$ 180,820	\$ 139,369	\$ 105,451

Pension Plan Fiduciary Net Position

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

NOTE 7 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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, 2020, the District reported a liability of \$3,606 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.004286 percent.

For the year ended December 31, 2020, the District recognized OPEB expense of \$1,055. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80	\$ 86
Changes of assumptions	483	-
Net difference between projected and actual earnings on OPEB plan investments	124	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,462	-
District contributions subsequent to the measurement date	528	-
Total	\$ 3,677	\$ 86

\$528 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Year Ending December 31:		
2021	\$	654
2022		686
2023		680
2024		644
2025		394
2026		5
Thereafter		-

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2019, and July 1, 2018, 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, 2020, calculated using the discount rate of 6.50 percent, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	\$ 4,729	\$ 3,606	\$ 2,656

Pension Plan Fiduciary Net Position

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

NOTE 8 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 9 COMMITMENTS

The District entered into a construction contract to expand and repair the transmission pipeline for \$2,893,732. As of December 31, 2020, \$385,737 remains to be incurred on this construction contract. Retainage payable related to this contract is \$141,990 as of December 31, 2020.

The District entered into a construction contract to expand facilities for \$217,000. As of December 31, 2020, \$160,750 remains to be incurred on this construction contract. Retainage payable related to this contract is \$5,625 as of December 31, 2020.

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 10 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 June 15, 2021. 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, 2020. Earlier application is encouraged.

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, 2021. 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 June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from

AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that

**AGASSIZ WATER USERS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020**

meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 20, 2021, which is the date these financial statements were available to be issued.

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE NDPERS RETIREMENT PLAN
LAST TEN YEARS

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Year Ended December 31 2020	\$ 5,541	\$ (5,541)	\$ -	\$ 73,480	7.54%

The amounts presented for each fiscal year were determined as of the District's year end which is December 31.

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. The District entered the NDPERS Retirement Plan during the year ended December 31, 2020.

See Notes to the Required Supplementary Information

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE NDFERS OPEB PLAN
LAST TEN YEARS

Year Ended December 31 2020	Statutorily Required Contribution \$ 528	Contributions in Relation to the Statutorily Required Contributions 528	Contribution Deficiency (Excess) -	District's Covered - Employee Payroll \$ 46,350	Contributions as a Percentage of Covered - Employee Payroll 1.14%
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The amounts presented for each fiscal year were determined as of the District's year end which is December 31.

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. The District entered the NDFERS OPEB Plan during the year ended December 31, 2020.

See Notes to the Required Supplementary Information

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

	District's			
For the Year	Proportion of	District's Proportionate	District's Covered-	Proportionate
Ended	the Net Pension	Share of the Net Pension	Employee Payroll	Share of the Net
December 31	Liability (Asset)	Liability (Asset) (a)	E	Pension
2020	0.004430%	139,369	\$ 48,863	Liability
		\$	\$	of the Total Pension
				Liability
				48.91%

The amounts presented for each fiscal year were determined as of the measurement date of the District's net pension liability which is June 30, of the year for NDPERS.

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. The District entered the NDPERS Retirement Plan during the year ended December 31, 2020.

See Notes to the Required Supplementary Information

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN YEARS

	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
For the Year Ended December 31, 2020	0.0043%	\$ 3,606	\$ 48,863	7.38%	63.38%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the fiscal year for NDPERS.

The District implemented GASB Statement No. 75 for its fiscal year ended December 31, 2018. The District entered the NDPERS OPEB Plan during the year ended December 31, 2020.

See Notes to the Required Supplementary Information

AGASSIZ WATER USERS DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – CHANGES TO BENEFIT TERMS

NDPERS

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

NDPERS OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

NOTE 2 – CHANGES OF ASSUMPTIONS

NDPERS

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NDPERS OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

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, 2020, 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, 2021.

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 2020-001 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 2020-002 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, 2021

AGASSIZ WATER USERS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding 2020-001 – Material Weakness

Criteria:

A District 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 District, 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, 2020

Finding 2020-002 – Significant Deficiency

Criteria

An appropriate system of internal controls requires that a District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles general accepted in the United States of America.

Condition

The District's auditors prepared the financial statements as of June 30, 2020. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of American (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

The District does not have the resources to prepare full accrual financial statements.

Effect

The District currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Response:

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