

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## TABLE OF CONTENTS

	<b>Page</b>
<b>BOARD OF DIRECTORS</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION &amp; ANALYSIS</b>	<b>5</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of District's Contributions to the NDPERS Retirement Plan	29
Schedule of District's Contributions to the NDPERS OPEB Plan	30
Schedule of District's and Non-Employer Proportionate Share of the Net Pension Liability	31
Schedule of District's and Non-Employer Proportionate Share of the Net OPEB Liability	32
Notes to the Required Supplementary Information	33
<b>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></b>	<b>34</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>36</b>

**AGASSIZ WATER USERS DISTRICT**  
**BOARD OF DIRECTORS**  
**DECEMBER 31, 2021**

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 Audit of the Financial Statements

#### *Opinions*

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, 2021, and the related notes to the financial statements, which collectively comprise the Agassiz Water Users District's basic financial statements as listed in the table of contents.

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, 2021, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agassiz Water Users District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agassiz Water Users District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agassiz Water Users District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agassiz Water Users District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 retirement plan, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's and non-employer proportionate share of net pension liability, schedule of District's and non-employer proportionate share of net OPEB liability, and related notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information***

The board of directors on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of Agassiz Water Users District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agassiz Water Users District's internal control over financial reporting and compliance.



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

February 18, 2022

**AGASSIZ WATER USERS DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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, 2021. 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 2021 by \$5,876,970.
- The District's total operating revenue increased by \$109,508 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, 2021**

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 \$5,876,970 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>12/31/2021</u>	<u>12/31/2020</u>
ASSETS		
Current Assets	\$ 1,328,588	\$ 1,272,489
Capital Assets		
Property and Equipment	11,059,725	9,939,639
Less Accumulated Depreciation	(5,362,702)	(5,260,465)
Other Assets	54,686	43,379
TOTAL ASSETS	<u>7,080,297</u>	<u>5,995,042</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>379,602</u>	<u>134,656</u>
LIABILITIES		
Current Liabilities	75,101	245,665
Current Portion	26,687	27,616
Long-Term Liabilities		
Non-Current Portion	1,173,424	1,023,771
TOTAL LIABILITIES	<u>1,275,212</u>	<u>1,297,052</u>
DEFERRED INFLOWS OF RESOURCES	<u>307,717</u>	<u>19,499</u>
NET POSITION		
Net Investment in Capital Assets	4,661,332	3,770,762
Restricted for Debt Service	9,270	-
Unrestricted	1,206,368	1,042,385
TOTAL NET POSITION	<u>\$ 5,876,970</u>	<u>\$ 4,813,147</u>



**AGASSIZ WATER USERS DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Statement of Revenues, Expenses and Changes in Net Position**

	12/31/2021	12/31/2020
REVENUES AND EXPENSES		
Operating Revenue	\$ 1,035,112	\$ 925,604
Operating Expenses	928,745	860,550
Operating Income (Loss)	106,367	65,054
Non-Operating Revenues (Expenses)	957,456	2,401,643
NET INCOME (LOSS)	1,063,823	2,466,697
NET POSITION, BEGINNING OF YEAR	4,813,147	2,346,450
NET POSITION, END OF YEAR	\$ 5,876,970	\$ 4,813,147

**CAPITAL ASSETS**

At December 31, 2021, the District had \$5,697,023 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 \$1,200,111 in notes outstanding at year-end, compared to \$1,051,384 last year, an increase of \$148,727 as shown in the table below. See Note 5 for additional information.

Payee	Interest Rate	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Due Within 1 year
Bank of North Dakota 2020	1.50%	\$ 744,325	\$ 154,765	\$ 26,000	\$ 873,090	\$ 25,000
Live Oak Banking Company	4.34%	164,084	-	1,483	162,601	1,687
Net Pension Liability		139,369	20,322	-	159,691	-
Net OPEB Liability		3,606	1,123	-	4,729	-
		\$ 1,051,384	\$ 176,210	\$ 27,483	\$ 1,200,111	\$ 26,687

**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, 2021

**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, 2021**

ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 1,038,577
Receivables	
Trade Accounts (Net Allowance of \$32,391)	114,520
Interest	10,349
Unbilled Member Accounts	68,496
Inventories	89,388
Prepaid Expenses	7,258
Total Current Assets	<u>1,328,588</u>
CAPITAL ASSETS	
Plant, Building, and Improvements	6,595,345
Transportation Equipment and Tools	112,088
Furniture, Fixtures, and Equipment	37,058
Software	26,255
Construction in Progress	4,288,979
Less Accumulated Depreciation	<u>(5,362,702)</u>
Net Property and Equipment	<u>5,697,023</u>
OTHER ASSETS	
Capital Credits	45,416
Cash - Restricted for Debt Service	9,270
Total Other Assets	<u>54,686</u>
TOTAL ASSETS	<u>7,080,297</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - NDPERS	373,729
Cost Sharing Defined Benefit OPEB Plan - NDPERS	5,873
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>379,602</u>
LIABILITIES	
CURRENT LIABILITIES	
Trade Accounts Payable	21,561
Contractors Payable	16,368
Retainage Payable	19,400
Customer Prepayments	11,487
Current Portion of Long-term Debt	26,687
Payroll Taxes	1,077
Accrued Interest	4,802
Other	406
Total Current Liabilities	<u>101,788</u>
LONG-TERM LIABILITIES	
Long-term Debt, Net of Current Portion	1,009,004
Net Pension Liability	159,691
Net OPEB Liability	4,729
Total Long-Term Liabilities	<u>1,173,424</u>
TOTAL LIABILITIES	<u>1,275,212</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - NDPERS	305,967
Cost Sharing Defined Benefit OPEB Plan - NDPERS	1,750
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>307,717</u>
NET POSITION	
Net Investment in Capital Assets	4,661,332
Restricted for Debt Service	9,270
Unrestricted	1,206,368
TOTAL NET POSITION	<u>\$ 5,876,970</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, 2021**

OPERATING REVENUES	
Metered Water	\$ 567,344
Unmetered Water	7,839
Monthly Facility Charge	426,475
Penalties and Other	32,786
Refunds and Reimbursements	668
Total Operating Revenue	1,035,112
OPERATING EXPENSES	
Salaries	201,668
Treated Water Purchased	210,388
Payroll Taxes	15,371
Power Purchases for Pumping	30,297
Plant Repairs and Supplies	90,619
Mileage Reimbursements	1,640
Vehicle Expense	33,671
Depreciation - Plant	112,095
Depreciation - Office Furniture and Equipment	811
Depreciation - Vehicle	10,209
Amortization - Software	8,752
Computer Expenses	5,730
Postage and Office Supplies	19,681
Telephone	9,549
Professional Fees	22,997
Utilities - Office	4,209
Unemployment and Workers' Compensation	2,650
Dues and Subscriptions	5,800
Other General Administrative Expenses	11,046
Engineering Fees	13,649
Lab Testing Fees	1,750
Employee Retirement	79,701
Employee Health Insurance	29,360
Employee Education	261
Insurance - Other	6,841
Total Operating Expenses	928,745
OPERATING INCOME	106,367
NON-OPERATING REVENUES (EXPENSES)	
Sign-up Fees	30,150
Interest Expense	(16,599)
Interest Income	5,997
Capital Credits	5,510
State Grant Revenue	916,344
Gain on Sale of Equipment	11,500
Miscellaneous Income	4,554
Total Non-Operating Revenues (Expenses)	957,456
EXCESS OF REVENUES OVER EXPENSES	1,063,823
NET POSITION, BEGINNING OF YEAR	4,813,147
NET POSITION, END OF YEAR	\$ 5,876,970

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,025,693
Cash Payments for Materials and Services	(715,873)
Cash Payments to Employees for Services	(201,668)
Net Cash Provided by Operating Activities	<u>108,152</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(1,149,717)
Sign up Fees	30,150
Miscellaneous Income	4,554
State Grants	1,074,340
Proceeds from Long-Term Debt	154,765
Payments on Long-Term Debt - Principal	(27,483)
Payments on Long-Term Debt - Interest	(15,241)
Proceeds from Sale of Capital Assets	11,500
Net Cash Provided by Capital and Related Financing Activities	<u>82,868</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES	
Capital Credits	3,471
Interest Income	1,753
Net Cash Provided by Investing Activities	<u>5,224</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	196,244
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>851,603</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 1,047,847</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 106,367
Depreciation & Amortization	131,867
Changes in:	
Receivables, Excluding Interest Receivable	(9,419)
Inventories	(17,503)
Prepaid Expenses	4,045
Customer Prepayments	1,751
Trade Accounts Payable	(173,839)
Taxes Accrued or Payable	1,077
Pension Liabilities	64,126
OPEB Liabilities	591
Other Payables	(911)
Net Cash Provided by Operating Activities	<u>\$ 108,152</u>

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 1,420 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  
DECEMBER 31, 2021

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.

The District is required by loan obligations to set aside cash in a reserve fund. This amount is listed as restricted cash on the statement of net position.

**Inventories and Prepaids**

Inventories are generally stated at the lower of cost (first-in, first-out method) 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,

**AGASSIZ WATER USERS DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

2021, the allowance is \$32,391. If the District were to recover any bad debts previously written off, they would be reported as income.

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

### **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 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  
DECEMBER 31, 2021

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 investments as of December 31, 2021 are comprised of the following:

Deposit Accounts	\$ 573,621
Money Market Accounts	14,657
Time Deposits	<u>450,299</u>
Total	<u>\$ 1,038,577</u>

At December 31, 2021 the bank balance was \$1,074,227, of the total deposits, \$651,340 was covered by Federal Depository Insurance. The remaining deposits of \$422,887 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.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**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 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, 2021 was as follows:

	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 3,188,256	\$ 1,100,723	\$ -	\$ 4,288,979
Total	<u>3,188,256</u>	<u>1,100,723</u>	<u>-</u>	<u>4,288,979</u>
Capital Assets Being Depreciated				
Plant, Building, and Improvements	6,595,345	-	-	6,595,345
Furniture, Fixtures, and Equipment	30,501	9,114	2,557	37,058
Transportation Equipment and Tools	99,283	39,880	27,075	112,088
Software	26,255	-	-	26,255
Total	<u>6,751,384</u>	<u>48,994</u>	<u>29,632</u>	<u>6,770,746</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	5,150,792	112,095	-	5,262,887
Furniture, Fixtures, and Equipment	29,620	811	2,557	27,874
Transportation Equipment and Tools	73,311	10,209	27,075	56,445
Software	6,742	8,754	-	15,496
Total	<u>5,260,465</u>	<u>131,869</u>	<u>29,632</u>	<u>5,362,702</u>
Net Capital Assets Being Depreciated	<u>1,490,919</u>	<u>(82,875)</u>	<u>-</u>	<u>1,408,044</u>
Net Capital Assets	<u>\$ 4,679,175</u>	<u>\$ 1,017,848</u>	<u>\$ -</u>	<u>\$ 5,697,023</u>

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 5 LONG-TERM INDEBTEDNESS**

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

Payee	Interest Rate	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Due Within 1 year
Bank of North Dakota 2020	1.50%	\$ 744,325	\$ 154,765	\$ 26,000	\$ 873,090	\$ 25,000
Live Oak Banking Company	4.34%	164,084	-	1,483	162,601	1,687
Net Pension Liability		139,369	20,322	-	159,691	-
Net OPEB Liability		3,606	1,123	-	4,729	-
		<u>\$ 1,051,384</u>	<u>\$ 176,210</u>	<u>\$ 27,483</u>	<u>\$ 1,200,111</u>	<u>\$ 26,687</u>

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, 2021, only \$899,090 has been drawn down on this note.

The annual requirements to amortize the bond is as follows:

	Principal	Interest	Total
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	25,000	13,050	38,050
2027-2031	150,000	58,875	208,875
2032-2036	155,000	47,625	202,625
2037-2041	175,000	35,250	210,250
2042-2046	195,000	21,675	216,675
2047-2050	170,000	6,525	176,525
	<u>\$ 970,000</u>	<u>\$ 238,950</u>	<u>\$ 1,208,950</u>

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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:

	Principal	Interest	Total
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	2,006	6,698	8,704
2027-2031	11,446	32,074	43,520
2032-2036	14,214	29,305	43,519
2037-2041	17,652	25,868	43,520
2042-2046	21,922	21,598	43,520
2047-2051	27,223	16,296	43,519
2052-2056	33,808	9,712	43,520
2057-2060	27,120	2,052	29,172
	<u>\$ 162,601</u>	<u>\$ 171,209</u>	<u>\$ 333,810</u>

The aggregate amount of anticipated future principal and interest payments on the District's long-term debt at December 31, 2021, is as follows:

Years Ending December 31,	Principal	Interest	Total
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	27,006	19,748	46,754
2027-2031	161,446	90,949	252,395
2032-2036	169,214	76,930	246,144
2037-2041	192,652	61,118	253,770
2042-2046	216,922	43,273	260,195
2047-2051	197,223	22,821	220,044
2052-2056	33,808	9,712	43,520
2057-2060	27,120	2,052	29,172
Total	<u>\$ 1,132,601</u>	<u>\$ 410,159</u>	<u>\$ 1,542,760</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  
DECEMBER 31, 2021

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**  
**DECEMBER 31, 2021**

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, 2021, the District reported a liability of \$159,691 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.015321 percent.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

For the year ended December 31, 2021, the District recognized pension expense of \$78,324. At December 31, 2021, 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	\$ 2,757	\$ 16,299
Changes in actuarial assumptions	176,747	230,441
Difference between projected and actual investment earnings	-	59,227
Changes in proportion	186,963	-
Contributions paid to NDPERS subsequent to the measurement date	7,262	-
Total	\$ 373,729	\$ 305,967

\$7,262 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, 2022.

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
2022	\$ 34,595
2023	24,552
2024	28,865
2025	(27,512)
2026	-

**Actuarial Assumptions**

The total pension liability in the July 1, 2021 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**  
**DECEMBER 31, 2021**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30.00%	6.00%
International Equity	21.00%	6.70%
Private Equity	7.00%	9.50%
Domestic Fixed Income	23.00%	0.73%
Global Real Assets	19.00%	4.77%

**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 1.92%; and the resulting Single Discount Rate is 7.00%.

**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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:



**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
District's proportionate share of the NDPERS net pension liability:	\$ 253,962	\$ 159,691	\$ 81,195

**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**  
**DECEMBER 31, 2021**

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, 2021, the District reported a liability of \$4,729 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 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, 2021, the District's proportion was 0.008503 percent.

For the year ended December 31, 2021, the District recognized OPEB expense of \$1,715. At December 31, 2021, 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	\$ 272	\$ 130
Changes of assumptions	732	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,620
Changes in proportion and differences between employer contributions and proportionate share of contribution	4,319	-
District contributions subsequent to the measurement date	550	-
Total	\$ 5,873	\$ 1,750

\$550 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, 2022.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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

<b>Year Ending December 31:</b>		
2022	\$	969
2023		958
2024		886
2025		573
2026		187
2027		-
Thereafter		-

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2021 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33.00%	5.85%
Small Cap Domestic Equities	6.00%	6.75%
International Equities	26.00%	6.25%
Core-Plus Fixed Income	35.00%	0.50%

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**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 rates described in this report. 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, 2021, 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	\$ 7,014	\$ 4,729	\$ 2,796

**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, 2021, \$0 remains to be incurred on this construction contract. Retainage payable related to this contact is \$19,400 as of December 31, 2021.

**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

**AGASSIZ WATER USERS DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2021

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. 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 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

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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 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 February 18, 2022, which is the date these financial statements were available to be issued.

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

Year Ended December 31	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
2021	\$ 13,895	\$ 13,895	\$ -	\$ 181,290	7.66%
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'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN**  
**LAST TEN YEARS**

Year Ended December 31	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
2021	\$ 1,079	\$ 1,079	-	\$ 94,630	1.14%
2020	528	528	-	46,350	1.14%

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. 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**  
**SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS**

For the Year Ended December 31	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.015321%	\$ 159,691	\$ 173,488	92.05%	78.26%
2020	0.004430%	139,369	48,863	285.22%	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**

For the Year Ended December 31	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
2021	0.0085%	\$ 4,729	\$ 92,701	5.10%	76.63%
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, 2021**

**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, 2020.

**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, 2020.

**NOTE 2 – CHANGES OF ASSUMPTIONS**

**NDPERS**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**NDPERS OPEB**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Agassiz Water Users District's basic financial statements and have issued our report thereon dated February 18, 2022.

### **Report on 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) as a basis for designing 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 significant deficiencies.

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 2021-001 and 2021-002 described in the accompanying schedule of findings and responses to be material weaknesses.

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 the deficiencies described in the accompanying schedule of findings and responses as item 2021-003 to be a significant deficiency.

### **Report on 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 financial statements. 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on Agassiz Water Users District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Agassiz Water Users District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

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



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

February 18, 2022

**AGASSIZ WATER USERS DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding 2021-001 – Material Weakness**

Criteria:

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition:

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause of Condition:

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect:

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation:

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

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, 2021**

**Finding 2021-002 – Material Weakness**

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules 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, 2021**

**Finding 2021-003 – Significant Deficiency**

Criteria

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

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Response:

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