

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**AGASSIZ WATER USERS DISTRICT  
BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2017**

John Hancock	President
Frank Burkholder	Vice President
Patricia Paschke	Secretary
Clark Cronquist	Director
Michael Lund	Director
Lee Ferguson	Director
Eric Stanislawski	Director



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## 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, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis on pages 4-7 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 27, 2018, 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 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 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 27, 2018

**AGASSIZ WATER USERS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

## **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, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

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

## **FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities at the close of the year 2017 by \$2,487,417.
- The District's total operating revenue increased by \$22 from the prior year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These financial statements consist of the following sections:

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets 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, 2017**

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

**FINANCIAL ANALYSIS OF THE DISTRICT**

The District's assets exceeded its liabilities by \$2,487,417 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>12/31/2017</u>	<u>12/31/2016</u>
<b>ASSETS</b>		
Current Assets	\$ 959,888	\$ 926,967
Capital Assets		
Property and Equipment	6,543,988	6,509,409
Less Accumulated Depreciation	(4,981,528)	(4,855,226)
Other Assets	41,755	43,442
<b>TOTAL ASSETS</b>	<u>2,564,103</u>	<u>2,624,592</u>
<b>LIABILITIES</b>		
Current Liabilities	29,969	41,008
Long-Term Liabilities		
Current Portion	20,817	20,221
Non-Current Portion	25,900	46,724
<b>TOTAL LIABILITIES</b>	<u>76,686</u>	<u>107,953</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,515,743	1,587,238
Unrestricted	971,674	929,401
<b>TOTAL NET POSITION</b>	<u>\$ 2,487,417</u>	<u>\$ 2,516,639</u>

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

	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>REVENUES AND EXPENSES</b>		
Operating Revenue	\$ 616,715	\$ 616,692
Operating Expenses	674,325	667,248
Operating Income (Loss)	(57,610)	(50,556)
Non-Operating Revenues (Expenses)	28,388	172
<b>NET INCOME (LOSS)</b>	(29,222)	(50,384)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,516,639</u>	<u>2,567,023</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,487,417</u>	<u>\$ 2,516,639</u>

**AGASSIZ WATER USERS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CAPITAL ASSETS**

At December 31, 2017, the District had \$1,562,460 invested in capital assets including improvements, buildings, equipment and vehicles. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

	Balance 12/31/2016	Additions	Disposals	Balance 12/31/2017
Capital Assets				
Plant, Building, and Improvements	\$ 6,308,945	\$ 34,580	\$ -	\$ 6,343,525
Furniture, Fixtures, and Equipment	96,279	-	-	96,279
Transportation Equipment and Tools	104,184	-	-	104,184
Total	<u>6,509,408</u>	<u>34,580</u>	<u>-</u>	<u>6,543,988</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,698,634	112,052	-	4,810,686
Furniture, Fixtures, and Equipment	94,001	1,035	-	95,036
Transportation Equipment and Tools	62,591	13,215	-	75,806
Total	<u>4,855,226</u>	<u>126,302</u>	<u>-</u>	<u>4,981,528</u>
Net Capital Assets	<u>\$ 1,654,182</u>	<u>\$ (91,722)</u>	<u>\$ -</u>	<u>\$ 1,562,460</u>

**LONG-TERM DEBT**

The District had \$46,717 in bonds and notes outstanding at year-end, compared to \$66,945 last year, a decrease of \$20,228 as shown in the table below.

Payee	Interest Rate	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Due Within 1 year
Bank of North Dakota	3.00%	\$ 66,945	\$ -	\$ 20,228	\$ 46,717	\$ 20,817
		<u>\$ 66,945</u>	<u>\$ -</u>	<u>\$ 20,228</u>	<u>\$ 46,717</u>	<u>\$ 20,817</u>

**ECONOMIC FACTORS**

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

**OTHER INFORMATION**

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

**CONTACTING THE DISTRICT'S MANAGEMENT**

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



**AGASSIZ WATER USERS DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Equivalents	\$ 289,834
Investments	450,000
Receivables	
Trade Accounts (Net Allowance of \$32,391)	108,318
Interest	775
Unbilled Member Accounts	32,310
Inventories	58,752
Prepaid Expenses	19,899
Total Current Assets	<u>959,888</u>
<b>CAPITAL ASSETS</b>	
Plant, Building, and Improvements	6,343,525
Transportation Equipment and Tools	104,184
Furniture, Fixtures, and Equipment	96,279
Less Accumulated Depreciation	<u>(4,981,528)</u>
Net Property and Equipment	<u>1,562,460</u>
<b>OTHER ASSETS</b>	
Capital Credits	<u>41,755</u>
Total Other Assets	<u>41,755</u>
<b>TOTAL ASSETS</b>	<u><u>2,564,103</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade Accounts Payable	23,557
Current Portion of Long-term Debt	20,817
Payroll Taxes	3,922
Other Accrued Expenses	
Accrued Interest	1,386
Other	1,104
Total Current Liabilities	<u>50,786</u>
<b>LONG-TERM LIABILITIES</b>	
Loan, Net of Current Portion	<u>25,900</u>
Total Long-Term Liabilities	<u>25,900</u>
<b>TOTAL LIABILITIES</b>	<u><u>76,686</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,515,743
Unrestricted	971,674
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,487,417</u></u>

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>OPERATING REVENUES</b>	
Metered Water	\$ 596,359
Unmetered Water	2,304
Penalties and Other	15,288
Refunds and Reimbursements	2,764
Total Operating Revenue	616,715
<b>OPERATING EXPENSES</b>	
Salaries	189,334
Payroll Taxes	14,484
Power Purchases for Pumping	50,294
Plant Repairs and Supplies	131,990
Mileage Reimbursements	1,044
Vehicle Expense	16,324
Depreciation - Plant	112,052
Depreciation - Office Furniture and Equipment	1,035
Depreciation - Vehicle	13,215
Computer Expenses	5,673
Postage and Office Supplies	17,019
Telephone	5,420
Professional Fees	22,132
Utilities - Office	3,989
Unemployment and Workers' Compensation	1,632
Dues and Subscriptions	4,822
Other General Administrative Expenses	14,752
Lab Testing Fees	3,024
Employee Retirement	12,054
Employee Health Insurance	33,023
Employee Education	1,690
Insurance - Other	15,974
Directors Fees and Meeting Expense	2,459
Bad Debts	890
Total Operating Expenses	674,325
<b>OPERATING LOSS</b>	<b>(57,610)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Sign-up Fees	8,000
Interest Expense	(1,408)
Interest Income	1,042
Capital Credits	1,679
Insurance Proceeds	19,075
Total Non-Operating Revenues (Expenses)	28,388
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<b>(29,222)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>2,516,639</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,487,417</b>

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 609,432
Cash Payments for Materials and Services	(379,539)
Cash Payments to Employees for Services	(189,334)
Net Cash Provided by Operating Activities	<u>40,559</u>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(34,580)
Sign up Fees	8,000
Insurance Proceeds	19,075
Payments on Long-Term Debt - Principal	(20,228)
Payments on Long-Term Debt - Interest	(2,002)
Net Cash Used by Capital and Related Financing Activities	<u>(29,735)</u>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>	
Capital Credits	3,366
Interest Income	1,043
Net Cash Provided by Investing Activities	<u>4,409</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,233</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>274,601</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 289,834</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Loss	\$ (57,610)
Depreciation	126,302
Changes in:	
Receivables, Excluding Interest Receivable	(7,283)
Inventories	(6,566)
Prepaid Expenses	(3,839)
Trade Accounts Payable	(9,257)
Taxes Accrued or Payable	(281)
Other Payables	(907)
Net Cash Provided by Operating Activities	<u>\$ 40,559</u>

See Notes to the Financial Statements

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

**Nature of Operations**

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

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

**Reporting Entity**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

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

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

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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 Cash Equivalents**

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

**Investments**

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.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**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, 2017, the allowance is \$32,391. If the District were to recover any bad debts previously written off, they would be reported as income.

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

**Net Position**

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

**Use of Estimates**

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

**Significant Group Concentrations of Credit Risk**

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

**NOTE 3 CASH AND INVESTMENTS**

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

At December 31, 2017, the District's deposits totaled \$746,612 of which \$450,000 is held in certificates of deposit, \$79,022 held in money market accounts, and the remaining \$217,590 held in an interest-bearing deposit account. Of the total deposits, \$465,419 was covered by Federal Depository Insurance. The remaining deposits were covered by securities pledged by the financial institution in the District's name.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Interest Rate Risk**

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

**Credit Risk**

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

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state.
- d) Obligations of the state.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance</u> 12/31/2016	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/2017
Capital Assets				
Plant, Building, and Improvements	\$ 6,308,945	\$ 34,580	\$ -	\$ 6,343,525
Furniture, Fixtures, and Equipment	96,279	-	-	96,279
Transportation Equipment and Tools	104,184	-	-	104,184
Total	<u>6,509,408</u>	<u>34,580</u>	<u>-</u>	<u>6,543,988</u>
Less: Accumulated Depreciation				
Plant, Building, and Improvements	4,698,634	112,052	-	4,810,686
Furniture, Fixtures, and Equipment	94,001	1,035	-	95,036
Transportation Equipment and Tools	62,591	13,215	-	75,806
Total	<u>4,855,226</u>	<u>126,302</u>	<u>-</u>	<u>4,981,528</u>
Net Capital Assets	<u>\$ 1,654,182</u>	<u>\$ (91,722)</u>	<u>\$ -</u>	<u>\$ 1,562,460</u>

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 5 LONG-TERM INDEBTEDNESS**

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

Payee	Interest Rate	Balance		Balance		Due Within 1 year
		12/31/2016	Issued	Retired	12/31/2017	
Bank of North Dakota	3.00%	\$ 66,945	\$ -	\$ 20,228	\$ 46,717	\$ 20,817
		<u>\$ 66,945</u>	<u>\$ -</u>	<u>\$ 20,228</u>	<u>\$ 46,717</u>	<u>\$ 20,817</u>

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

The aggregate amount of anticipated future principal and interest payments on the District's long-term debt at December 31, 2017, is as follows:

Years Ending December 31,	Principal	Interest	Total
2018	\$ 20,817	\$ 1,413	\$ 22,230
2019	21,453	777	22,230
2020	4,447	134	4,581
Total	<u>\$ 46,717</u>	<u>\$ 2,324</u>	<u>\$ 49,041</u>

**NOTE 6 PENSION PLAN**

The District has established a defined contribution pension plan for the benefit of its employees. This Plan is administered by the National Telecommunications Cooperative Association. Current terms of the Plan provide that the District may contribute, as determined by the Board of Directors, up to 7% of eligible employee salaries to this Plan. All full-time employees of the District are eligible to participate in the Plan who have attained age 21 and have one year of service. The plan administrator issues annual financial statements which may be obtained by writing to: NTCA, 30 Town Square Boulevard, Suite 300, Asheville, NC 28803. For the years ended December 31, 2017, 2016, and 2015, the District contributed \$12,054, \$11,845, and \$11,648, respectively, into this Plan.

**NOTE 7 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims for the past three years have not exceeded insurance.

**NOTE 8 NEW PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.



**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

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

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

**AGASSIZ WATER USERS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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, 2017, 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 27, 2018.

**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 2017-001 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 2017-002 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 27, 2018

**AGASSIZ WATER USERS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding 2017-001 – Material Weakness**

**Criteria:**

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

**Condition:**

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

**Cause of Condition:**

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

**Effect:**

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

**Recommendation:**

Proper separation of duties should be obtained where feasible.

**Response:**

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

**AGASSIZ WATER USERS DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding 2017-002 – Significant Deficiency**

**Criteria:**

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

**Condition:**

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

**Cause of Condition:**

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

**Effect:**

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

**Recommendation:**

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

**Response:**

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