SOUTHWEST WATER AUTHORITY
DICKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Water Authority
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Water Authority as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwest Water Authority as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer's pension contributions, schedule of employer's share of net OPEB liability, schedule of employer's OPEB contributions and notes to required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Water Authority's basic financial statements. The schedules of expenses and the schedule of percentage change are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenses and schedule of percentage change are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021 on our consideration of Southwest Water Authority'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 Southwest Water Authority'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 the Southwest Water Authority's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 30, 2021

As management of the Southwest Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 2020, 2019 and 2018. It is a requirement of GASB Statement No. 34 to show one more year than the actual financials present. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and footnotes, which are presented within this report.

Financial Highlights

The assets of the Authority totaled $38,156,829 as of the end of the year 2020 compared with $33,388,743 as of the end of the year 2019 and $29,534,475 as of the end of the year 2018. This is an increase in total assets of $4,768,086 between 2020 and 2019 and an increase in total assets of $3,854,268 between 2019 and 2018. The liabilities totaled $9,998,696 for 2020 compared with $4,711,082 for 2019 and $6,244,159 for 2018. This is an increase in liabilities of $5,287,614 between 2020 and 2019 and a decrease in liabilities of $1,533,077 between 2019 and 2018. The assets and deferred outflows exceeded liabilities and deferred inflows at the end of the year 2020 by $31,526,292 compared with $28,447,910 at the end of the year 2019 and $25,034,428 at the end of the year 2018. This is an increase in net position of $3,078,382 between 2020 and 2019, and an increase in net position of $3,413,482 between 2019 and 2018. The deferred pension outflows totaled $4,704,849 for year-end 2020 compared with $1,467,411 for year-end 2019 and $2,019,787 for year-end 2018. This is an increase in deferred pension outflows of $3,237,438 between 2020 and 2019, and a decrease of deferred pension outflows of $552,376 between 2019 and 2018. The deferred Other Postemployment Benefits (OPEB) outflows totaled $53,629 for 2020 and $45,265 for 2019 and $39,144 for 2018. This is an increase of deferred OPEB outflows of $8,364 between 2020 and 2019 and an increase of $6,121 in 2019 and 2018. The deferred pension inflows totaled $1,368,697 for year-end 2020 compared to $1,723,291 for year-end 2019 and $302,013 for year-end 2018. This is a decrease in deferred pension inflows of $354,594 between 2020 and 2019 and an increase of $1,421,278 between 2019 and 2018. The deferred OPEB inflows totaled $21,622 for 2020 and $19,136 for 2019 and $12,806 for 2018. This is an increase of $2,486 between 2020 and 2019 and an increase of $6,330 between 2019 and 2018.

Assets held at the American Trust Center total $24,776,324 at year-end 2020 compared with $23,139,454 at year-end 2019 and $20,488,344 at year-end 2018. The amount that is the Replacement and Extraordinary Maintenance Fund is $23,134,549 at year-end 2020 compared with $21,158,439 year-end 2019 and $18,984,521 year-end 2018. This is an increase of $1,976,110 between 2020 and 2019 and an increase of $2,173,918 between 2019 and 2018. The North Dakota Legislature established the Replacement and Extraordinary Maintenance Fund when the Southwest Pipeline Project was authorized. This fund was created to cover costs of an extraordinary nature and/or to replace parts of an aging distribution system. It is funded by water customers system wide. The current rate is $0.70 per 1,000 gallons sold to all customers. In addition, $0.10 per 1,000 gallons sold to rural customers for the rural distribution system is also collected. The rate is $4.00 per 1,000 gallons sold to oil industry customers, and $3.00 per 1,000 gallons sold to oil industry customers at the SWA Water Depot. The fees are deposited on a monthly basis into this fund.

The amount in the Escrow Fund is $358,965 for year-end 2020 compared with $351,940 year-end 2019 and $333,426 year-end 2018. This is an increase of $7,025 between 2020 and 2019, and an increase of $18,514 between 2019 and 2018. For the year 2020 there is a restricted amount of $58,250 for projects that are currently in process. In 2019 all projects were completed and all deferred revenue was recognized. This is an increase of $58,250 between 2020 and 2019 and a decrease of $6,082 between 2019 and 2018.

Total cash on hand as of the end of the year 2020 is $6,060,804 compared with $2,491,930 at the end of 2019 and $1,994,253 at the end of 2018. This is an increase of $3,568,874 between 2020 and 2019 and an increase of $497,677 between 2019 and 2018. This is made up of checking and money market accounts.

The liabilities total $9,998,696 for year-end 2020 compared with $4,711,082 for year-end 2019 and $6,244,159 for year-end 2018. This is an increase in liabilities of $5,287,614 between 2020 and 2019 and a decrease in liabilities of $1,533,077 between 2019 and 2018. Of this amount, $1,663,214 is current liabilities mostly in the form of accounts payable. This compares with 2019 year-ending balance of $1,233,943 in current liabilities and year-ending balance of $1,180,521 in current liabilities for 2018. This is an increase in current liabilities of $429,271 between 2020 and 2019 and an increase in current liabilities of $53,422 between 2019 and 2018. Included in current liabilities are customer prepayments. These are overpayments applied on account by customers and are used to offset the next billing. Total customer prepayments for year-end 2020 are $46,333, $46,493 for year-end 2019 and $46,011 for year-end 2018. The long-term liabilities total $8,335,482 at year-end 2020 compared with $3,477,139 at year-end 2019 and $5,063,638 at year-end 2018. Of this amount $7,932,536 is the net pension liability for year-end 2020, $3,134,356 year-end 2019 and $4,679,689 for year-end 2018. Also included in long-term liabilities is the net OPEB liability of $200,079 for year-end 2020, $200,220 for year-end 2019 and $205,038 for year-end 2018. Unearned hookup fees and rental deposits from tenants/customers are also included in long-term liabilities. In 2019 all construction was completed and the unearned hookup fees account was closed. Therefore, no unearned hookup fees are recorded for year-end 2019 compared with $6,082 for year-end 2018. Rental deposits from tenants/customers for year-end 2020 are $60,225 compared with $59,550 for year-end 2019 and $59,325 for year-end 2018. In addition to assets, the statement of net position shows a separate section for deferred pension outflows and deferred OPEB outflows.

In addition to assets, the statement of net position shows a separate section for deferred pension outflows and deferred OPEB outflows. These separate financial statement elements represent 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. Deferred pension outflows and deferred OPEB outflows represent actuarial differences within NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position shows a separate section for deferred pension inflows and deferred OPEB inflows. These separate financial statement elements represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of revenue until that time. Deferred pension inflows and deferred OPEB inflows represent actuarial differences within NDPERS pension and OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: 1) Statement of Net Position 2) Statement of Revenues, Expenses and Change in Fund Net Position, 3) Statement of Cash Flows and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

	2020	2019	2018
ASSETS			
Unrestricted current assets	$ 10,064,633	$ 7,238,714	$ 5,172,616
Restricted noncurrent assets	23,229,308	21,259,791	19,093,451
Capital assets	4,862,888	4,890,238	5,268,408
Total Assets	38,156,829	33,388,743	29,534,475
DEFERRED OUTFLOWS			
Deferred Pension Outflows	4,704,849	1,467,411	2,019,787
Deferred OPEB Outflows	53,629	45,265	39,144
Total Outflows	4,758,478	1,512,676	2,058,931
LIABILITIES			
Current Liabilities	1,663,214	1,233,943	1,180,521
Long-term liabilities	8,335,482	3,477,139	5,063,638
Total liabilities	9,998,696	4,711,082	6,244,159
DEFERRED INFLOWS			
Deferred Pension Inflows	1,368,697	1,723,291	302,013
Deferred OPEB Inflows	21,622	19,136	12,806
Total Inflows	1,390,319	1,742,427	314,819
NET POSITION			
Net investment in capital assets	4,862,888	4,890,238	5,268,408
Restricted net position	23,229,309	21,259,791	19,093,452
Unrestricted net position	3,434,095	2,297,881	672,568
Total Net Position	$ 31,526,292	$ 28,447,910	$ 25,034,428

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information showing how the entity's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

	2020	2019	2018
Operating revenues:			
Sales	$ 18,511,167	$ 15,840,100	$ 14,241,221
Hook up fee transfers	81,900	118,174	113,788
Other	148,421	35,707	32,583
Total operating revenues	18,741,488	15,993,981	14,387,592
Operating expenses:			
Transmission	7,477,251	5,818,813	6,029,072
Distribution	4,983,398	4,701,417	4,568,695
Board of directors	143,044	210,389	188,841
Administrative	847,210	802,502	925,193
Easement acquisition	180,491	148,791	150,336
Rural water sign-up	214,328	224,573	200,131
Customer service	196,991	194,841	192,211
Treatment	2,720,257	2,202,927	2,218,647
Total operating expenses	16,762,970	14,304,253	14,473,126
Operating income/(loss)	1,978,518	1,689,728	(85,534)
Nonoperating revenue:			
Property taxes	715,539	694,270	681,770
Federal grants	108,615	-	-
Unrealized gain/(loss) on investments	228,507	580,454	(161,209)
Loss on disposal of assets	(462,556)	(56,970)	-
Investment income	509,759	506,000	409,002
Total nonoperating revenue before contributions	1,099,864	1,723,754	929,563
Change in net position	3,078,382	3,413,482	844,029
Total net position - beginning of year as previously stated	28,447,910	25,034,428	24,207,712
Prior period adjustment	-	-	(17,313)
Total net position - beginning of year as restated	28,447,910	25,034,428	24,190,399
Total net position - end of year	$ 31,526,292	$ 28,447,910	$ 25,034,428

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has one fund, an enterprise fund. The enterprise fund is for the Operations and Maintenance of the SWPP. The main sources of revenue for this fund are from the sale of water and from a mill levy that is levied by the Authority in the amount of one mill in each of the twelve counties that are a part of the Authority.

The revenues from the sale of water for 2020 totaled $18,511,167 compared with $15,840,100 for 2019 and $14,241,221 for 2018. This is an increase in revenues of $2,671,067 between 2020 and 2019 and an increase in revenues of $1,598,879 between 2019 and 2018. The net income/net losses by department for 2020 are transmission net income of $2,115,205, distribution net loss of $289,311 and treatment net loss of $321,470. This compares to net income/loss for 2019 are transmission net income of $1,420,298, distribution net income of $133,081 and treatment net loss of $376,862 and net income/net loss for 2018 are transmission net loss of $489,593, distribution net loss of $164,337 and treatment net loss of $266,327.

The mill levy generated income of $715,539 for 2020 compare with $694,270 for 2019 and $681,770 for 2018. This is an increase of $21,269 between 2020 and 2019 and an increase of $12,500 between 2019 and 2018. In 2020 the administration activities had a net income of $96,832 compared with a net income of 58,902 for 2019 and a net income of $24,459 for 2018. Administration includes activities for the board of directors, administration, sign up and easements.

The actual revenues and expenses were under budget. The revenues were over budget by 9.14% of projections and the expenses were under budget by 5.39%.

The Authority sold a total of 2,464,048,500 gallons of water in 2020 compared with 2,143,539,880 gallons of water in 2019 and 2,271,118,490 gallons of water in 2018. This is an increase 320,508,670 between 2020 and 2019 and a decrease of 127,578,610 between 2019 and 2018. This is 9.8% over the projection for the year of 2,244,084,000 gallons for 2020.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Chief Financial Officer, Southwest Water Authority, 4665 Second Street SW, Dickinson, ND 58601-7231. You can also contact the Authority online at swa@swwater.com or visit on the web at www.swwater.com.

SOUTHWEST WATER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 5,087,408	$ 2,233,674
Investments	2,615,172	2,898,588
Receivables:		
Accounts (net of allowance of $8,587 and $6,807, 2020 and 2019 respectively)	1,468,194	1,350,040
Interest	10,596	18,062
Prepaid expenses	74,663	62,779
Materials and supplies	808,600	675,571
Total current assets	10,064,633	7,238,714
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	973,396	258,256
Investments	22,161,152	20,900,183
Interest receivable	94,760	101,352
Capital Assets:		
Land	110,169	109,901
Buildings, improvements and equipment, net	4,752,719	4,780,337
Total noncurrent assets	28,092,196	26,150,029
Total assets	38,156,829	33,388,743
DEFERRED OUTFLOWS		
Deferred pension outflows	4,704,849	1,467,411
Deferred OPEB outflows	53,629	45,265
Total deferred outflows	4,758,478	1,512,676
LIABILITIES		
Current liabilities		
Accounts payable	996,510	611,457
Accrued salaries	265,159	250,722
Compensated absences, current portion	151,183	188,874
Accrued expenses	145,779	136,397
Customer prepayments	46,333	46,493
Deferred revenue	58,250	-
Total current liabilities	1,663,214	1,233,943
Long-term liabilities		
Compensated absences, net of current portion	142,642	83,013
Rental/customer deposits	60,225	59,550
Net pension liability	7,932,536	3,134,356
Net OPEB liability	200,079	200,220
Total long-term liabilities	8,335,482	3,477,139
Total liabilities	9,998,696	4,711,082
DEFERRED INFLOWS		
Deferred pension inflows	1,368,697	1,723,291
Deferred OPEB inflows	21,622	19,136
Total deferred inflows	1,390,319	1,742,427
NET POSITION		
Net investment in capital assets	4,862,888	4,890,238
Restricted for replacement	23,229,309	21,259,791
Unrestricted	3,434,095	2,297,881
Total net position	$ 31,526,292	$ 28,447,910

See Notes to the Financial Statements

SOUTHWEST WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating revenues:		
Sales	$ 18,511,167	$ 15,840,100
Hook up fee transfers	81,900	118,174
Other	148,421	35,707
Total operating revenues	18,741,488	15,993,981
Operating expenses:		
Transmission	7,477,251	5,818,813
Distribution	4,983,398	4,701,417
Board of directors	143,044	210,389
Administrative	847,210	802,502
Easement acquisition	180,491	148,791
Rural water sign-up	214,328	224,573
Customer service	196,991	194,841
Treatment	2,720,257	2,202,927
Total operating expenses	16,762,970	14,304,253
Operating gain(loss)	1,978,518	1,689,728
Nonoperating revenue:		
Property taxes	715,539	694,270
Federal grants	108,615	-
Unrealized gain/(loss) on investments	228,507	580,454
Loss on disposal of capital assets	(462,556)	(56,970)
Investment income	509,759	506,000
Total nonoperating revenue	1,099,864	1,723,754
Change in net position	3,078,382	3,413,482
Total net position - beginning of year	28,447,910	25,034,428
Total net position - end of year	$ 31,526,292	$ 28,447,910

See Notes to the Financial Statements

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 18,651,832	$ 15,742,062
Receipts from others	148,421	35,707
Payments to suppliers	(10,015,365)	(10,679,735)
Payments to employees	(7,176,221)	(2,679,029)
Cash provided (used) by operating activities	1,608,667	2,419,005
Cash flows from noncapital financing activities:		
Property taxes revenue	715,539	694,270
Federal grant	108,615	-
Cash provided (used) by noncapital financing activities	824,154	694,270
Cash flows used by capital and related financing activities:		
Purchase of property and equipment	(944,425)	(131,479)
Cash flows from investing activities:		
Proceeds from the sale of investments	19,868,317	10,108,818
Purchases of investments	(18,241,616)	(13,038,919)
Investment income	571,931	445,982
Cash provided (used) by investing activities	2,198,632	(2,484,119)
Change in cash and cash equivalents	3,687,028	497,677
Cash and cash equivalents, beginning of period	2,491,930	1,994,253
Cash and cash equivalents, end of period	$ 6,178,958	$ 2,491,930
Cash and cash equivalents - unrestricted	$ 5,087,408	$ 2,233,674
Cash and cash equivalents - restricted	973,396	258,256
Total cash and cash equivalents	$ 6,060,804	$ 2,491,930

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of operating gain to net cash provided (used) by operating activities		
Operating income (loss)	$ 1,978,518	$ 1,689,728
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:		
Depreciation	485,616	509,650
Account write offs (recoveries)	84	(2,363)
Deferred outflows - pension & OPEB	3,245,802	546,255
Deferred inflows - pension & OPEB	352,108	1,427,608
Effects on operating cash flows due to changes in:		
Accounts receivable	(84)	(208,474)
Prepaid expenses	(11,884)	1,910
Materials and supplies	(133,029)	(12,232)
Accounts payable	385,053	13,295
Accrued salaries	14,437	3,307
Accrued expenses	9,382	12,493
Compensated absences	21,938	(6,646)
Customer prepayments	(160)	482
Unearned hookup fees/rental/customer deposits	675	(5,857)
Deferred revenue	58,250	-
Net pension liability	(4,798,180)	(1,545,333)
Net OPEB liability	141	(4,818)
Total adjustments	(369,851)	729,277
Net cash provided (used) by operating activities	$ 1,608,667	$ 2,419,005

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Activity

The Authority was created in 1991 by an Act of the North Dakota Legislature. The Authority was established to provide for the supply and distribution of water from the Missouri River to the people of southwestern North Dakota through a pipeline transmission and delivery system. The pipeline transmission and delivery system was constructed and is owned by the North Dakota State Water Commission. The Authority is responsible for the operation and maintenance of the SWPP. The business and affairs of the Authority is managed by a Board of 15 directors elected in accordance to sections 61-24.5-06 through 61-24.5-09 of the North Dakota Century Code.

On April 1, 2000, the Authority assumed the operational responsibilities of the Dickinson Water Treatment Plant. Prior to this date, the City of Dickinson operated the facility and billed the Authority the cost of treating the water which the Authority sold. The City of Dickinson retained the ownership of the facility.

Effective July 1, 2015, all water service contracts were amended in order to enforce the permit conditions on SWPP customers and to follow the North Dakota State Water Commission’s Water Supply Cost Share Policy of domestic water supply having priority over industrial water supply. The amendment included any community selling water for oil and gas be sold at the Authority oil industry rates.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These financial statements represent the financial position, results of operations and cash flows of the Authority for fiscal years ended December 31, 2020 and 2019. The more significant of the Authority's accounting policies are described below.

Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by Governmental Accounting Standards Board (GASB). Southwest Water Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. Based upon the application of these criteria, the Authority is not includable as a component unit within another reporting entity and the Authority does not have a component unit.

Fund Accounting

The Authority uses fund accounting to report on its financial position and the results of its operations. The activities of the various funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, reserves, net position, revenues and expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions and activities.

The following fund type is used by the Authority:

Proprietary Fund Type

The Proprietary Funds measurement focus is upon determination of net income, financial position, and changes in financial position. These funds are used to account for activities that are similar to those found in the private sector. They are maintained on the accrual basis of accounting. The following is the Authority's Proprietary Fund type:

Enterprise Funds: account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis by financing or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities and deferred inflows (whether current or non-current) associated with their activities are reported. Proprietary Fund equity is classified as net position. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are water sales, hook up transfers and other income. Operating expenses include transmission, distribution, board of directors, administrative, easement acquisition, rural water sign-up, customer service and treatment. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Authority's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets - Legal Compliance

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. In July of each year the board of directors shall estimate and itemize all the administrative expenses and obligations of the Authority, including expenses of directors, expenses of operating the office, and any other obligations and liabilities relating to administrative, clerical, engineering, surveying, investigations, legal and other related expenses of the Authority. Upon the completion and adoption of such budget, the board of directors shall make a tax levy in the amount sufficient to meet such budget. Such levy must be in the form of a resolution adopted by a majority vote of the members of the board of directors of the Authority. Such resolution must levy in mills, but may not exceed one mill, and must be sufficient to meet the administrative, engineering, surveying, investigations, legal and related expenses, obligations, and liabilities of the Authority as provided in the budget. Upon adoption to the mill levy by the board of directors, but no later than October 1, the secretary of the board shall send one certified copy of the mill levy to the county auditor of each county which is a member of the Authority. The board shall also prepare and adopt an annual budget for operation, management, maintenance, and repayment of the Southwest Pipeline Project. Revenues for operation, management, maintenance, and repayment of the Southwest Pipeline Project must come from water service contract revenues. In keeping with the requirements of a proprietary fund, budget comparisons have not been included in this report.

Cash and Cash Equivalents

For the purposes of reporting cash flows, the Authority considers all checking, savings, and certificates of deposit, with an original maturity of three months or less, to be cash equivalents.

Investments

Investments are accounted for at fair value. North Dakota state statute authorizes government entities to invest their 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, instrumentality's, 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, d) Obligations of the state, and e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two annually recognized rating agencies and matures in two hundred seventy days or less.

Receivables and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed interest at 1.5% of the unpaid balance.

Payments on trade receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by a valuation allowance that reflects management’s best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically and adjusts the allowance account based on current economic conditions and past experience.

Materials and Supplies and Prepaid Items

Materials and supplies are valued at average cost.

Payments made to vendors for items or services for a future period beyond fiscal year end, are recorded as prepaid expenses.

Property and Equipment

Property and equipment are carried at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets are recorded at acquisition value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

The Authority’s capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is $1,500 and a useful life of at least three years.

The Authority depreciates its buildings and building improvements over a 10 to 40 year period and its equipment and furnishings over 3 to 10 years.

Accumulated Unpaid Vacation and Sick Pay

Annual leave is a part of permanent employees' compensation. Employees are entitled to earn annual leave based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. No more than 240 hours of annual leave may be carried forward beyond December 31st of each year. Employees are paid for unused annual leave upon termination or retirement. Permanent employees are entitled to accrue sick leave in a range of eight to twelve hours per month with unlimited accumulation. Employees with at least 10 years of employment are paid one-tenth of their accumulated sick leave when the employee terminates employment.

Customer Prepayments

The Authority reports customer prepayments on the statement of net position. Customer prepayments are overpayments applied on account by customers. These prepayments are used to offset the next billing to these customers.

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 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 (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.

Equity Classifications

Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted for replacement – A reserve fund for replacement and extraordinary maintenance of project works must be maintained. The reserve is maintained in accordance with NDCC Section 61-24.5.
- Unrestricted net position – All other net position that do not meet the definitions of "Net investment in capital assets" or "restricted for replacement."

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/expenditures) until then. The Authority has two items that qualify for reporting in this category named Deferred Pension Outflows and Deferred OPEB Outflows which represents actuarial differences within NDPERS pension and other post-employment benefit plans as well as amounts paid to the plan 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 Authority has two items that qualify for reporting in this category. Accordingly, Deferred Pension Inflows and Deferred OPEB Inflows, represents actuarial differences within NDPERS pension and other post-employment benefit plans. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure the Authority would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Authority does not have a formal policy regarding custodial credit risk.

At December 31, 2020 the carrying amount of the Authority’s deposits was $6,060,804. The bank balance was $6,073,027. The bank balance and deposits are fully collateralized and/or insured.

NOTE 3 INVESTMENTS

The Authority has set up five investment accounts with a local trust company. The escrow account represents hookup fees, which have been collected as deposits from future potential customers. The reserve account represents funds set aside for emergency situations. The general fund operating account is set up for general fund operations. The O&M account is set up for O&M operations. The Reserve Fund for Replacement represents funds set aside for the purpose of replacement and extraordinary maintenance of Project works. The reserve for replacement account is restricted.

The Authority invests in certificates of deposits, corporate bonds, U.S. government securities and U.S. government backed securities, and fixed income mutual funds.

The total fair value of the investments as of December 31, 2020 is $24,776,324 and its cost is $23,573,845. The total fair value of the investments as of December 31, 2019 is $23,798,771 and its cost is $23,824,799.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

At December 31, 2020, the following table shows the investments by investment type and maturity:

Investment Type	Total Market Value	Less than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government Bonds	$ 21,373,685	$ -	$ 4,043,029	$ 16,712,954	$ 617,702
Government Mortgage-Backed	1,184	-	-	1,184	-
Mutual Funds - Fixed Income	2,401,455	2,401,455	-	-	-
Certificates of Deposit	1,000,000	1,000,000	-	-	-
Total Debt Securities	$ 24,776,324	$ 3,401,455	$ 4,043,029	$ 16,714,138	$ 617,702

At December 31, 2019, the following table shows the investments by investment type and maturity:

Investment Type	Total Market Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
Government Bonds	$ 20,126,577	$ 1,573,751	$ 6,008,060	$ 10,019,280	$ 2,525,486
Government Mortgage-Backed	1,410	-	-	1,410	-
Mutual Funds - Fixed Income	738,566	738,566	-	-	-
Certificates of Deposit	2,932,218	1,682,218	1,250,000	-	-
Total Debt Securities	$ 23,798,771	$ 3,994,535	$ 7,258,060	$ 10,020,690	$ 2,525,486

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have an investment policy that specifically addresses credit risk. The following table represents the Authority's ratings as of December 31, 2020:

S&P	Total Market Value	Government Bonds	Government Mortgage Backed	Mutual Funds
AAA	$ 2,402,639	$ -	$ 1,184	$ 2,401,455
AA+	17,038,936	17,038,936	-	-
NR	4,334,749	4,334,749	-	-
Total credit risk Debt securities	23,776,324	$ 21,373,685	$ 1,184	$ 2,401,455
Investments not subject to categorization:				
Certificates of deposit	1,000,000			
Total debt securities	$ 24,776,324			

The following table represents the Authority's ratings as of December 31, 2019:

S&P	Total Market Value	Government Bonds	Government Mortgage Backed	Mutual Funds
AAA	$ 1,410	$ -	$ 1,410	$ -
AA+	17,834,702	17,834,702	-	-
NR	3,030,441	2,291,875	-	738,566
Total credit risk Debt securities	20,866,553	$ 20,126,577	$ 1,410	$ 738,566
Investments not subject to categorization:				
Certificates of deposit	2,932,218			
Total debt securities	$ 23,798,771			

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

Mutual funds are valued based on quoted market prices, when available, or market prices provided by a national pricing service which used methods of valuation that consider the reports of nationally recognized exchanges for the asset being valued. If listed prices or quotes are not available, fair value is based upon externally developed models that use observable inputs due to the limited market activity of the instrument.

Bonds (Government and Corporate) and Mortgage-backed securities are valued based on evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. To evaluate the wide range of these securities, evaluators draw parallels from the trading and quoting of bonds with similar features. Characteristics used to identify comparable securities may include such things as: sector, type of bond, coupon, credit quality ratings, bond insurance or other credit enhancement, maturity, call, put, sinking fund or other early redemption features.

There have been no changes in the methodologies used at December 31, 2020.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2020:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Government Bonds	$ 21,373,685	$ -	$21,373,685	$ -
Government Mortgage-Backed	1,184	-	1,184	-
Mutual Funds - Fixed Income	2,401,455	2,401,455	-	-
		$ 2,401,455	$21,374,869	$ -
Investments not subject to categorization:				
Certificates of deposit	1,000,000			
Total	$ 24,776,324			

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2019:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Government Bonds	$ 20,126,577	$ -	$20,126,577	$ -
Government Mortgage-Backed	1,410	-	1,410	-
Mutual Funds - Fixed Income	738,566	738,566	-	-
Total		$ 738,566	$20,127,987	$ -
Investments not subject to categorization:				
Certificates of deposit	2,932,218			
Total	$ 23,798,771			

NOTE 5 LAND, STRUCTURES AND EQUIPMENT

The following is a summary of changes in land, structures, and equipment for the years ended December 2020 and 2019:

Land, Structures and Equipment	
Capital assets not being depreciated:	
Land	
Balance - January 1, 2019	$ 109,627
Additions	274
Deletions	-
Balance - December 31, 2019	109,901
Additions	268
Deletions	-
Balance - December 31, 2020	$ 110,169
Capital assets being depreciated:	
Buildings, improvements and equipment	
Balance - January 1, 2019	$8,406,203
Additions	142,214
Deletions	(78,722)
Balance - December 31, 2019	8,469,695
Additions	944,157
Deletions	(1,158,820)
Balance - December 31, 2020	$8,255,032
Accumulated Depreciation	
Buildings, improvements and equipment	
Balance - January 1, 2019	$3,247,422
Additions	509,649
Deletions	(67,713)
Balance - December 31, 2019	3,689,358
Additions	485,616
Deletions	(672,661)
Balance - December 31, 2020	$3,502,313
Land, structures and equipment, net	$4,862,888

NOTE 6 COMPENSATED ABSENCES

The Authority's liability for accumulated unpaid leave as of December 31, 2020 and December 31, 2019 was $293,825 and $271,866, respectively. A summary of compensated absences follows:

	2020	2019
Balance - January 1	$ 271,886	$ 278,533
Additions	195,316	196,126
Reductions	(173,378)	(202,773)
Balance - December 31	$ 293,825	$ 271,886
Amounts Due Within One Year	$ 151,183	$ 188,874

NOTE 7 DEFINED BENEFIT PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25

25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At December 31, 2020, Southwest Water Authority reported a liability of $7,932,536 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Authority's proportion was 0.252145 percent, which was a decrease of 0.015275 percent from its proportion measured as of June 30, 2019. At June 30, 2019, the Authority's proportion was 0.267420 percent, which was a decrease of 0.009877 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020 and 2019, the Authority recognized pension expense of $1,414,900 and $613,716, respectively. At December 31, 2020, the Authority 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 experience	$ 30,871	$ (401,949)
Changes of assumptions	4,252,340	(703,017)
Net difference between projected and actual earnings on pension plan investments	256,022	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,046	(263,731)
Employer contributions subsequent to the measurement date	105,571	-
Total	$ 4,704,849	$ (1,368,697)

$105,571 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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

Year ending December 31:		
2021	$	996,886
2022		817,034
2023		649,231
2024		767,430

At December 31, 2019, the Authority 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 experience	$ 1,856	$ (568,826)
Changes of assumptions	1,171,226	(1,005,599)
Net difference between projected and actual earnings on pension plan investments	54,608	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	138,326	(148,866)
Employer contributions subsequent to the measurement date	101,395	-
Total	$ 1,467,411	$ (1,723,291)

$101,395 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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:		
2020	$	146,260
2021		49,108
2022		(139,171)
2023		(316,987)
2024		(96,485)

Actuarial assumptions

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

	July 1, 2020	July 1, 2019
Inflation	2.25%	2.25%
Salary increases	3.50% to 17.75 %, including inflation	5.00% to 15.00 %, including inflation
Investment rate of return	7.00%, net of investment expenses	7.50%, net of investment expenses
Cost of living adjustments	None	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.

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:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2020	July 1, 2019	July 1, 2020	July 1, 2019
Domestic Equity	30%	30%	6.30%	6.25%
International Equity	21%	21%	6.85%	6.95%
Private Equity	7%	7%	9.75%	10.15%
Domestic Fixed Income	23%	23%	1.25%	2.11%
Global Real Assets	19%	19%	5.01%	5.41%

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 the July 1, 2020 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%. For the purpose of the July 1, 2019 valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent for the year ended December 31, 2020 and 7.50% for the year ended December 31, 2019, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability - December 31, 2020	$ 10,291,870	$ 7,932,536	$ 6,002,026

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability - December 31, 2019	$ 4,493,992	$ 3,134,356	$ 1,992,024

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502.

NOTE 8 DEFINED OPEB PLAN

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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 has become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2020, the Southwest Water Authority reported a liability of $200,079 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Authority's proportion was 0.237850 percent, which was a decrease of 0.011432 from its proportion measured as of June 30, 2019. At June 30, 2019, the Authority's proportion was 0.249282 percent, which was a decrease of 0.011061 from its proportion measured as of June 30, 2018.

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB expense of $25,768 and $24,989, respectively.

At December 31, 2020, the Authority 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	$ 4,443	$ (4,797)
Changes of assumptions	26,827	-
Net difference between projected and actual earnings on OPEB plan investments	6,880	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(16,825)
Employer contributions subsequent to the measurement date	15,479	-
Total	$ 53,629	$ (21,622)

$15,479 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending 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:

Year ending December 31:		
2021	$	3,412
2022		5,190
2023		4,864
2024		2,929
2025		201
2026		(68)

At December 31, 2019, the Authority 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	$ 4,944	$ (6,255)
Changes of assumptions	23,863	-
Net difference between projected and actual earnings on OPEB plan investments	223	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(12,881)
Employer contributions subsequent to the measurement date	16,235	-
Total	$ 45,265	$ (19,136)

$16,235 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

Year ending December 31:		
2020	$	1,445
2021		1,445
2022		3,309
2023		2,967
2024		936
2025		(153)
Thereafter		(55)

Actuarial Assumptions

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

	July 1, 2020	July 1, 2019
Inflation	2.25%	2.50%
Salary increases	Not applicable	Not applicable
Inestment rate of return	6.50%, net of investment expenses	7.25%, net of investment expenses
Cost of living adjustments	None	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2020	July 1, 2019	July 1, 2020	July 1, 2019
Large Cap Domestic Equities	33%	33%	6.10%	6.00%
Small Cap Domestic Equities	6%	6%	7.00%	7.30%
Domestic Fixed Income	40%	40%	1.15%	2.07%
International Equities	21%	21%	6.45%	6.95%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50% for the July 1, 2020 valuation and 7.25% for the July 1, 2019 valuation. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of December 31, 2020 and 2019, calculated using the discount rate of 6.50% and 7.25%, respectively, 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 or 1-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability - December 31, 2020	$ 262,408	$ 200,079	$ 147,371

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net OPEB liability - December 31, 2019	$ 255,554	$ 200,220	$ 152,854

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502.

NOTE 9 RISK MANAGEMENT

The Authority 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. Political subdivisions have joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. The Authority pays an annual premium to NDIRF for its general insurance, personal injury insurance, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence. The Authority does participate in the North Dakota fire and tornado fund, state bonding fund, and the North Dakota Workforce Safety & Insurance workers' compensation program.

The Authority carries insurance for all other risks of loss, including auto insurance, employee health and accident insurance, with coverage up to $4,000,000 per occurrence.

The Authority also carries pollution insurance with One Beacon Insurance Group with coverage up to $1,000,000 per occurrence.

Any settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

NOTE 11 SUBEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2021, which is the date these financials statements were available to be issued.

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's 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
2020	0.252145%	$ 7,932,536	$ 2,781,464	285.19%	48.91%
2019	0.267420%	3,134,356	2,781,628	112.68%	71.66%
2018	0.277297%	4,679,689	2,848,716	164.27%	62.80%
2017	0.286009%	4,597,103	2,919,708	157.45%	61.98%
2016	0.272279%	2,652,647	2,743,931	96.67%	70.46%
2015	0.246740%	1,650,142	2,161,934	76.33%	77.15%

*Complete data for this schedule is not available prior to 2015. The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30th.

See Notes to the Required Supplementary Information

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 209,072	$ (209,072)	$ -	$ 2,915,646	7.17%
2019	201,606	(201,606)	-	2,831,547	7.12%
2018	207,233	(207,233)	-	2,910,582	7.12%
2017	208,567	(208,567)	-	2,929,305	7.12%
2016	204,573	(204,573)	-	2,873,226	7.12%
2015	189,478	(189,478)	-	2,661,206	7.12%

*Complete data for this schedule is not available prior to 2015

See Notes to the Required Supplementary Information

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer'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
2020	0.237850%	$ 200,079	$ 2,711,416	7.38%	63.38%
2019	0.249282%	200,220	2,781,628	7.20%	63.13%
2018	0.260343%	205,038	2,848,716	7.20%	61.89%

*Complete data for this schedule is not available prior to 2018. The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30th.

See Notes to the Required Supplementary Information

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Schedule of Employer Contributions NDPERS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 31,762	$ (31,762)	$ -	$ 2,786,076	1.14%
2019	32,280	(32,280)	-	2,831,547	1.14%
2018	33,181	(33,181)	-	2,910,582	1.14%

*Complete data for this schedule is not available prior to 2018

See Notes to the Required Supplementary Information

NOTE 1 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION AND OPEB

Changes of pension benefit terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of OPEB benefit terms

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

NOTE 2 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION AND OPEB

Changes of pension assumptions

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

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

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

Changes of OPEB assumptions

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

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

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

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Transmission	Distribution	Board of Directors	Administration	Easement	Sign-up	Customer Service	Treatment	Total
Salaries	$ 1,153,252	$ 565,072	$ 34,822	$ 407,309	$ 85,540	$ 85,539	$ 54,875	$ 839,836	$ 3,226,245
Benefits	884,907	470,677	80	254,341	81,417	81,416	54,729	731,344	2,558,911
Payroll taxes	89,295	39,542	2,839	22,426	6,112	6,112	3,954	66,413	236,693
Professional fees	89,245	9,936	46,533	104,058	2,734	36,191	5,965	105,628	400,290
Supplies	6,372	2,335	314	11,140	1,399	1,399	2,663	3,179	28,801
Utilities	970,958	83,939	-	-	-	-	-	202,834	1,257,731
Repairs	390,744	409,817	-	8,980	946	946	29	77,478	888,940
Travel	81,275	29,639	5,331	2,170	513	490	-	5,037	124,455
Telephone	33,856	530	5,282	1,663	719	924	243	11,439	54,656
Capital repayment	2,392,191	3,112,490	-	-	-	-	-	-	5,504,681
Insurance	64,024	-	19,222	4,905	-	-	-	38,467	126,618
Maintenance	1,071,771	-	-	-	-	-	-	-	1,071,771
Printing and promotion	31,443	21	2,058	6,015	-	-	21,985	-	61,522
Postage	1,777	509	392	876	300	500	44,162	2,064	50,580
Dues and subscriptions	311	34	25,773	20,257	150	150	(45)	95	46,725
Development and education	3,109	1,250	-	625	27	27	45	375	5,458
Water testing	-	12,102	-	-	-	-	-	21,223	33,325
Chemicals	-	-	-	-	-	-	-	580,565	580,565
Bad debts (recoveries)	-	-	-	-	-	-	84	-	84
Rent	6,000	-	-	-	-	-	-	-	6,000
Depreciation	200,221	245,309	23	1,623	549	549	3,062	34,280	485,616
Miscellaneous	6,500	196	375	822	85	85	5,240	-	13,303
	$ 7,477,251	$ 4,983,398	$ 143,044	$ 847,210	$ 180,491	$ 214,328	$ 196,991	$ 2,720,257	$ 16,762,970

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Trans-mission	Distri-bution	Board of Directors	Admin-istration	Easement	Sign-up	Customer Service	Treatment	Total
Salaries	$ 1,130,292	$ 506,910	$ 49,553	$ 418,257	$ 82,492	$ 82,492	$ 51,843	$ 777,563	$ 3,099,402
Benefits	582,244	294,139	85	200,482	55,718	55,718	38,057	443,676	1,670,119
Payroll taxes	84,704	37,590	4,401	25,569	5,981	5,981	3,933	63,546	231,705
Professional fees	32,686	31,090	50,186	96,836	71	74,881	6,284	62,343	354,377
Supplies	6,342	2,375	63	11,302	1,554	1,665	2,718	2,923	28,942
Utilities	935,329	72,440	-	-	-	-	-	193,006	1,200,775
Repairs	171,784	464,884	-	7,445	964	964	16	65,478	711,535
Travel	89,120	35,200	35,033	5,416	559	580	-	10,204	176,112
Telephone	32,304	965	4,142	1,195	416	580	225	10,629	50,456
Capital repayment	2,062,776	3,022,722	-	-	-	-	-	-	5,085,498
Insurance	62,914	-	19,158	4,988	-	-	-	36,248	123,308
Maintenance	338,071	-	-	-	-	-	-	-	338,071
Printing and promotion	36,677	-	3,881	6,508	-	547	32,622	-	80,235
Postage	1,688	1,123	242	2,216	93	492	44,022	1,733	51,609
Dues and subscriptions	100	-	26,380	15,851	463	193	-	70	43,057
Development and education	802	434	13,955	790	55	55	-	625	16,716
Water testing	-	16,158	-	-	-	-	-	17,878	34,036
Chemicals	-	-	-	-	-	-	-	476,885	476,885
Bad debts (recoveries)	(5,047)	-	-	-	-	-	2,684	-	(2,363)
Rent	6,000	-	-	-	-	-	-	-	6,000
Depreciation	241,735	214,994	-	5,055	425	425	7,393	39,623	509,650
Miscellaneous	8,292	393	3,310	592	-	-	5,044	497	18,128
	$ 5,818,813	$ 4,701,417	$ 210,389	$ 802,502	$ 148,791	$ 224,573	$ 194,841	$ 2,202,927	$ 14,304,253

SOUTHWEST WATER AUTHORITY
SCHEDULE OF PERCENTAGE CHANGE
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019	Percent Change
Salaries	$ 3,226,245	$ 3,099,402	4.09%
Benefits	2,558,911	1,670,119	53.22%
Payroll taxes	236,693	231,705	2.15%
Professional fees	400,290	354,377	12.96%
Supplies	28,801	28,942	-0.49%
Utilities	1,257,731	1,200,775	4.74%
Repairs	888,940	711,535	24.93%
Travel	124,455	176,112	-29.33%
Telephone	54,656	50,456	8.32%
Capital repayment	5,504,681	5,085,498	8.24%
Insurance	126,618	123,308	2.68%
Maintenance	1,071,771	338,071	217.03%
Printing and promotion	61,522	80,235	-23.32%
Postage	50,580	51,609	-1.99%
Dues and subscriptions	46,725	43,057	8.52%
Development and education	5,458	16,716	-67.35%
Water testing	33,325	34,036	-2.09%
Chemicals	580,565	476,885	21.74%
Bad debts (recoveries)	84	(2,363)	-103.55%
Rent	6,000	6,000	0.00%
Depreciation	485,616	509,650	-4.72%
Miscellaneous	13,303	18,128	-26.62%
	$ 16,762,970	$ 14,304,253	17.19%

BradyMartz

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*

The Board of Directors
Southwest Water Authority
Dickinson, 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 Southwest Water Authority as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Southwest Water Authority's internal control over financial reporting (internal control) as a basis for designing 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 Southwest Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Water Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

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 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ, & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 30, 2021