SOUTHWEST WATER AUTHORITY
DICKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Southwest Water Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Southwest Water Authority, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Southwest Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southwest Water Authority as of December 31, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southwest Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Water Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and 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 the related notes to the required supplementary information on pages 39-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Water Authority's basic financial statements. The accompanying schedules of expenses and schedules of percentage change are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules of expenses and the schedules of percentage change are 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 22, 2022 on our consideration of the 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 the 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 Southwest Water Authority's internal control over financial reporting and compliance.

Brady Martz

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

March 22, 2022

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 2021, 2020, and 2019. 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 \$43,009,768 as of the end of the year 2021 compared with \$38,156,829 as of the end of the year 2020 and \$33,388,743 as of the end of the year 2019. This is an increase in total assets of \$4,852,939 between 2021 and 2020 and an increase in total assets of \$4,768,086 between 2020 and 2019. The liabilities totaled \$5,180,945 for 2021 compared with \$9,998,696 for 2020 and \$4,711,082 for 2019. This is a decrease in liabilities of \$4,817,751 between 2021 and 2020 and an increase in liabilities of \$5,287,614 between 2020 and 2019. The assets and deferred outflows exceeded liabilities and deferred inflows at the end of the year 2021 by \$35,666,429 compared with \$31,526,292 at the end of the year 2020 and \$28,447,910 at the end of the year 2019. This is an increase in net position of \$4,140,137 between 2021 and 2020, and an increase in net position of \$3,078,382 between 2020 and 2019. The deferred pension outflows totaled \$3,141,173 for year-end 2021 compared with \$4,704,849 for year-end 2020 and \$1,467,411 for year-end 2019. This is a decrease in deferred pension outflows of \$1,563,676 between 2021 and 2020, and an increase of deferred pension outflows of \$3,237,438 between 2020 and 2019. The deferred Other Postemployment Benefits (OPEB) outflows totaled \$40,022 for 2021, \$53,629 for 2020 and \$45,265 for 2019. This is a decrease of deferred OPEB outflows of \$13,607 between 2021 and 2020 and an increase of \$8,364 between 2020 and 2019. The deferred pension inflows totaled \$5,277,074 for year-end 2021 compared to \$1,368,697 for year-end 2020 and \$1,723,291 for year-end 2019. This is an increase in deferred pension inflows of \$3,908,377 between 2021 and 2020 and a decrease of \$354,594 between 2020 and 2019. The deferred OPEB inflows totaled \$66,515 for 2021, \$21,622 for 2020 and \$19,136 for 2019. This is an increase of \$44,893 between 2021 and 2020 and an increase of \$2,486 between 2020 and 2019.

Assets held at Bravera Wealth total \$27,964,921 at year-end 2021 compared with \$24,776,324 at year-end 2020 and \$23,139,454 at year-end 2019. The amount that is in the Replacement and Extraordinary Maintenance Fund is \$23,166,697 at year-end 2021 compared with \$23,134,549 year-end 2020 and \$21,158,439 year-end 2019. In 2021, reimbursements totaling \$1,395,328 were used for extraordinary expenses approved by the Board and the State Water Commission. 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 $843,382 for year-end 2021 compared with $358,965 year-end 2020 and $351,940 year-end 2019. This is an increase of $484,417 between 2021 and 2020, and an increase of $7,025 between 2020 and 2019. For the year 2021 there is a restricted amount of $636,125 for projects that are currently in process. This is an increase of $577,875 between 2021 and 2020 and an increase of $58,250 between 2020 and 2019. These are hookup fees paid by customers who sign up for water. When water becomes available, the hookup fees are recognized as revenue. If, however, Southwest Water Authority is unable to provide water for these individuals, the hookup fees will be refunded.

Total cash on hand as of the end of the year 2021 is $7,417,153 compared with $6,060,804 at the end of 2020 and $2,491,930 at the end of 2019. This is an increase of $1,356,349 between 2021 and 2020 and an increase of $3,568,874 between 2020 and 2019. This is made up of checking and money market accounts.

The liabilities totaled $5,180,945 for 2021 compared with $9,998,696 for 2020 and $4,711,082 for 2019. This is a decrease in liabilities of $4,817,751 between 2021 and 2020 and an increase in liabilities of $5,287,614 between 2020 and 2019. Of this amount, $2,200,449 is current liabilities mostly in the form of accounts payable and deferred revenue for projects currently in process. This compares with 2020 year-ending balance of $1,663,214 in current liabilities and year-ending balance of $1,233,943 in current liabilities for 2019. This is an increase in current liabilities of $537,235 between 2021 and 2020 and an increase in current liabilities of $429,271 between 2020 and 2019. 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 2021 are $50,726, $46,333 for year-end 2020 and $46,493 for year-end 2019. The long-term liabilities total $2,980,496 at year-end 2021 compared with $8,335,482 at year-end 2020 and $3,477,139 at year-end 2019. Of this amount, $2,656,428 is the net pension liability for year-end 2021, $7,932,536 year-end 2020 and $3,134,356 for year-end 2019. Also included in long-term liabilities is the net OPEB liability of $124,076 for year-end 2021, $200,079 for year-end 2020 and $200,220 for year-end 2019. Unearned hookup fees and rental deposits from tenants/customers are also included in long-term liabilities. Rental deposits from tenants/customers for year-end 2021 are $60,450 compared with $60,225 for year-end 2020 and $59,550 for year-end 2019.

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.

	2021	2020	2019
ASSETS			
Unrestricted current assets	$ 14,735,311	$ 10,064,633	$ 7,238,714
Restricted noncurrent assets	23,250,702	23,229,308	21,259,791
Capital assets	5,023,755	4,862,888	4,890,238
Total Assets	43,009,768	38,156,829	33,388,743
DEFERRED OUTFLOWS			
Deferred Pension Outflows	3,141,173	4,704,849	1,467,411
Deferred OPEB Outflows	40,022	53,629	45,265
Total Outflows	3,181,195	4,758,478	1,512,676
LIABILITIES			
Current Liabilities	2,200,449	1,663,214	1,233,943
Long-term liabilities	2,980,496	8,335,482	3,477,139
Total liabilities	5,180,945	9,998,696	4,711,082
DEFERRED INFLOWS			
Deferred Pension Inflows	5,277,074	1,368,697	1,723,291
Deferred OPEB Inflows	66,515	21,622	19,136
Total Inflows	5,343,589	1,390,319	1,742,427
NET POSITION			
Net investment in capital assets	5,023,755	4,862,888	4,890,238
Restricted net position	23,250,703	23,229,309	21,259,791
Unrestricted net position	7,391,971	3,434,095	2,297,881
Total Net Position	$ 35,666,429	$ 31,526,292	$28,447,910

The *Statement of Revenues, Expenses, and Changes in 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 NET POSITION

	2021	2020	2019
Operating revenues:			
Sales	$ 19,029,166	$ 18,511,167	$ 15,840,100
Hook up fee transfers	236,380	81,900	118,174
Other	140,135	148,421	35,707
Total operating revenues	19,405,681	18,741,488	15,993,981
Operating expenses:			
Transmission	6,833,496	7,477,251	5,818,813
Distribution	4,816,666	4,983,398	4,701,417
Board of directors	188,441	143,044	210,389
Administrative	792,177	847,210	802,502
Easement acquisition	154,870	180,491	148,791
Rural water sign-up	207,717	214,328	224,573
Customer service	181,571	196,991	194,841
Treatment	2,512,377	2,720,257	2,202,927
Total operating expenses	15,687,315	16,762,970	14,304,253
Operating income (loss)	3,718,366	1,978,518	1,689,728
Nonoperating revenue:			
Property taxes	744,668	715,539	694,270
Federal grants	-	108,615	-
Unrealized gain (loss) on investments	(824,462)	228,507	580,454
Realized gain (loss) on investments	(28,810)	-	-
Gain (loss) on disposal of assets	115,585	(462,556)	(56,970)
Investment income	414,790	509,759	506,000
Total nonoperating revenue before contributions	421,771	1,099,864	1,723,754
Change in net position	4,140,137	3,078,382	3,413,482
Total net position - beginning of year	31,526,292	28,447,910	25,034,428
Total net position - end of year	$ 35,666,429	$ 31,526,292	$ 28,447,910

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 Southwest Water Authority. 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 2021 totaled $19,029,166 compared with $18,511,167 for 2020 and $15,840,100 for 2019. This is an increase in revenues of $517,999 between 2021 and 2020 and an increase in revenues of $2,671,067 between 2020 and 2019. The net income by department for 2021 is transmission net income of $2,619,608, distribution net income of $686,336 and treatment net income of $41,778. This compares to net income/loss for 2020 of transmission net income of $2,115,205, distribution net loss of $289,311, and treatment net loss of $321,470. The net income/net loss for 2019 was transmission net income of $1,420,298, distribution net income of $133,081 and treatment net loss of $376,862.

The mill levy generated income of $744,668 for 2021 compared with $715,539 for 2020 and $694,270 for 2019. This is an increase of $29,129 between 2021 and 2020 and an increase of $21,269 between 2020 and 2019. In 2021, the administration activities had a net income of $351,895 compared with a net income of $96,832 for 2020 and a net income of $58,902 for 2019. Administration includes activities for the board of directors, administration, and sign up and easements.

The actual revenues and expenses were under budget. The revenues were over budget by 12.6% of projections and the expenses were under budget by 16.8%.

The Authority sold a total of 2,473,034,730 gallons of water in 2021 compared with 2,464,048,550 gallons of water in 2020 and 2,143,539,880 gallons of water in 2019. This is an increase of 8,986,180 between 2021 and 2020 and an increase of 320,508,670 between 2020 and 2019. This is 9.9% over the projection for the year of 2,250,450,000 gallons for 2021.

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, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 7,395,937	$ 5,087,408
Investments	4,819,741	2,615,172
Receivables:		
Accounts (net of allowance of $0 and $8,587, 2021 and 2020 respectively)	1,430,948	1,468,194
Interest	11,133	10,596
Prepaid expenses	212,627	74,663
Materials and supplies	864,925	808,600
Total current assets	14,735,311	10,064,633
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	21,516	973,396
Investments	23,145,180	22,161,152
Interest receivable	84,006	94,760
Capital Assets:		
Land	111,257	110,169
Buildings, improvements and equipment, net	4,912,498	4,752,719
Total noncurrent assets	28,274,457	28,092,196
Total assets	43,009,768	38,156,829
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	3,141,173	4,704,849
Deferred OPEB outflows	40,022	53,629
Total deferred outflows of resources	3,181,195	4,758,478
LIABILITIES		
Current liabilities		
Accounts payable	973,721	996,510
Accrued salaries	249,832	265,159
Compensated absences, current portion	152,516	151,183
Accrued expenses	137,529	145,779
Customer prepayments	50,726	46,333
Deferred revenue	636,125	58,250
Total current liabilities	2,200,449	1,663,214
Long-term liabilities		
Compensated absences, net of current portion	139,542	142,642
Rental/customer deposits	60,450	60,225
Net pension liability	2,656,428	7,932,536
Net OPEB liability	124,076	200,079
Total long-term liabilities	2,980,496	8,335,482
Total liabilities	5,180,945	9,998,696
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	5,277,074	1,368,697
Deferred OPEB inflows	66,515	21,622
Total deferred inflows of resources	5,343,589	1,390,319
NET POSITION		
Net investment in capital assets	5,023,755	4,862,888
Restricted for replacement	23,250,703	23,229,309
Unrestricted	7,391,971	3,434,095
Total net position	$ 35,666,429	$ 31,526,292

SEE NOTES TO THE FINANCIAL STATEMENTS

SOUTHWEST WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating revenues:		
Sales	$ 19,029,166	$ 18,511,167
Hook up fee transfers	236,380	81,900
Other	140,135	148,421
Total operating revenues	19,405,681	18,741,488
Operating expenses:		
Transmission	6,833,496	7,477,251
Distribution	4,816,666	4,983,398
Board of directors	188,441	143,044
Administrative	792,177	847,210
Easement acquisition	154,870	180,491
Rural water sign-up	207,717	214,328
Customer service	181,571	196,991
Treatment	2,512,377	2,720,257
Total operating expenses	15,687,315	16,762,970
Operating income (loss)	3,718,366	1,978,518
Nonoperating revenue:		
Property taxes	744,668	715,539
Federal grants	-	108,615
Unrealized gain (loss) on investments	(824,462)	228,507
Realized gain (loss) on investments	(28,810)	-
Gain (loss) on disposal of capital assets	115,585	(462,556)
Investment income	414,790	509,759
Total nonoperating revenue	421,771	1,099,864
Change in net position	4,140,137	3,078,382
Total net position - beginning of year	31,526,292	28,447,910
Total net position - end of year	$ 35,666,429	$ 31,526,292

SEE NOTES TO THE FINANCIAL STATEMENTS

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	$ 19,885,285	$ 18,651,832
Receipts from others	140,135	148,421
Payments to suppliers	(10,382,561)	(10,015,365)
Payments to employees	(4,939,043)	(7,176,221)
Net cash provided (used) by operating activities	4,703,816	1,608,667
Cash flows from noncapital financing activities:		
Property taxes revenue	744,668	715,539
Federal grant	-	108,615
Net cash provided (used) by noncapital financing activities	744,668	824,154
Cash flows used by capital and related financing activities:		
Proceeds from sale of capital assets	174,253	-
Purchase of capital assets	(649,226)	(1,022,257)
Net cash provided (used) by capital and finacing activities	(474,973)	(1,022,257)
Cash flows from investing activities:		
Proceeds from the sale of investments	8,843,433	19,868,317
Purchases of investments	(12,844,537)	(18,281,938)
Reinvested investment income	(40,765)	-
Investment income	425,007	571,931
Net cash provided (used) by investing activities	(3,616,862)	2,158,310
Net change in cash and cash equivalents	1,356,649	3,568,874
Cash and cash equivalents, beginning of period	6,060,804	2,491,930
Cash and cash equivalents, end of period	$ 7,417,453	$ 6,060,804
Cash and cash equivalents are comprised of:		
Cash and cash equivalents - unrestricted	$ 7,395,937	$ 5,087,408
Cash and cash equivalents - restricted	21,516	973,396
Total cash and cash equivalents	$ 7,417,453	$ 6,060,804

SEE NOTES TO THE FINANCIAL STATEMENTS

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Reconciliation of operating gain to net cash provided by operating activities		
Operating income	$ 3,718,366	$ 1,978,518
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:		
Depreciation	429,691	485,616
Account write offs	12,606	84
Deferred outflows - pension & OPEB	1,577,283	3,245,802
Deferred inflows - pension & OPEB	3,953,270	352,108
Effects on operating cash flows due to changes in:		
Accounts receivable	24,640	(84)
Prepaid expenses	(137,964)	(11,884)
Materials and supplies	(56,325)	(133,029)
Accounts payable	(22,789)	385,053
Accrued salaries	(15,327)	14,437
Accrued expenses	(8,250)	9,382
Compensated absences	(1,767)	21,938
Customer prepayments	4,393	(160)
Rental/customer deposits	225	675
Deferred revenue	577,875	58,250
Net pension liability	(5,276,108)	(4,798,180)
Net OPEB liability	(76,003)	141
Total adjustments	985,450	(369,851)
Net cash provided by operating activities	$ 4,703,816	$ 1,608,667

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Southwest Water Authority is presented to assist in understanding the Authority's financial statements.

The Authority reports as a business type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board.

Nature of operations and history

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.

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.

Net position is classified 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."

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.

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.

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. Recoveries of receivables previously written off are recorded when received.

Materials and supplies

Materials and supplies are valued at average cost.

Prepaid items

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

Capital assets

Capital assets 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 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.

Compensated absences

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.

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 CUSTODIAL CREDIT RISK

This is the risk that, in the event a financial institution fails, the Authority is unable to recover the value of its deposits, investment or collateral securities in the possession of the institution. In accordance with North Dakota laws, the Authority maintains deposits at a depository authorized by the Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds. As of December 31, 2021, all of the Authority's cash balances were either covered by FDIC insurance or collateral held in the Authority's name.

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 in accordance with NDCC Section 61-24.5.

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, 2021 is $27,964,921 and its cost is $28,585,713. The total fair value of the investments as of December 31, 2020 is $24,776,324 and its cost is $23,573,845.

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, 2021, the following table shows the investments by investment type and maturity:

Investment Type	Total Market Value	1 Year or less	1 - 6 Years	6 - 10 Years	More Than 10 Years
Corporate Bonds	$ 506,399	$ 506,399	$ -	$ -	$ -
Government Bonds	24,219,581	-	4,942,181	18,773,880	503,520
Government Mortgage-Backed	948	-	-	948	-
Mutual Funds - Fixed Income	2,987,993	2,987,993	-	-	-
Certificates of Deposit	250,000	250,000	-	-	-
	$ 27,964,921	$ 3,744,392	$ 4,942,181	$ 18,774,828	$ 503,520

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

Investment Type	Total Market Value	1 Year or less	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	-	-	-
	$ 24,776,324	$ 3,401,455	$ 4,043,029	$ 16,714,138	$ 617,702

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, 2021:

S&P	Total Market Value	Government Bonds	Government Mortgage Backed	Mutual Funds
AAA	$ 2,988,941	$ -	$ 948	$ 2,987,993
AA+	20,512,926	20,512,926	-	-
NR	4,213,054	4,213,054	-	-
Total credit risk Debt securities	27,714,921	$ 24,725,980	$ 948	$ 2,987,993
Investments not subject to categorization:				
Certificates of deposit	250,000			
Total debt securities	$ 27,964,921			

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 below presents the balances of assets measured at fair value on a recurring basis at December 31, 2021:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Corporate Bonds	$ 506,399	$ -	$ 506,399	$ -
Government Bonds	24,219,581	-	24,219,581	-
Government Mortgage-Backed	948	-	948	-
Mutual Funds - Fixed Income	2,987,993	2,987,993	-	-
		$ 2,987,993	$ 24,726,928	$ -
Investments not subject to categorization:				
Certificates of deposit	250,000			
Total	$ 27,964,921			

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			

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 2021 and 2020 was as follows:

	Balance 1/1/2021	Additions	Disposals	Balance 12/31/2021
Capital assets, not being depreciated:				
Land	$ 110,169	$ 1,088	$ -	$ 111,257
Capital assets, being depreciated:				
Building & Improvements	3,941,159	4,530	-	3,945,689
Office Furniture And Fixtures	307,943	-	-	307,943
Vehicles	717,294	281,028	171,669	826,653
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	4,011	-	-	4,011
Computer Equipment	174,726	22,021	24,151	172,596
Machinery & Equipment	2,778,222	316,077	127,345	2,966,954
Contributed Equipment	60,530	-	-	60,530
Computer Software	225,055	24,482	-	249,537
Total	8,255,032	648,138	323,164	8,580,006
Less accumulated depreciation:				
Building & Improvements	885,692	98,035	-	983,727
Office Furniture And Fixtures	220,495	26,450	-	246,945
Vehicles	547,593	55,114	133,445	469,262
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	71,082	-	-	71,082
Computer Equipment	133,688	41,936	47,753	127,871
Machinery & Equipment	1,312,085	206,448	83,298	1,435,235
Contributed Equipment	60,530	-	-	60,530
Computer Software	225,055	1,708	-	226,763
Total	3,502,314	429,691	264,497	3,667,508
Total capital assets being depreciated, net	4,752,719	218,447	58,668	4,912,498
Capital assets, net	$ 4,862,888	$ 219,535	$ 58,668	$ 5,023,755

	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	$ 109,901	$ 268	$ -	$ 110,169
Capital assets, being depreciated:				
Building & Improvements	3,941,159	-	-	3,941,159
Office Furniture And Fixtures	304,907	3,036	-	307,943
Vehicles	833,907	44,242	160,855	717,294
Contributed Vehicles	46,093	-	-	46,093
Retired assets	4,011	-	-	4,011
Computer Equipment	164,971	38,615	28,860	174,726
Machinery & Equipment	2,889,062	936,096	1,046,936	2,778,222
Contributed Equipment	60,530	-	-	60,530
Computer Software	225,055	-	-	225,055
Total	8,469,695	1,021,989	1,236,652	8,255,032
Less accumulated depreciation:				
Building & Improvements	786,130	99,562	-	885,692
Office Furniture And Fixtures	194,428	26,067	-	220,495
Vehicles	621,945	80,359	154,711	547,593
Contributed Vehicles	46,093	-	-	46,093
Retired assets	4,011	67,071	-	71,082
Computer Equipment	147,007	16,455	29,774	133,688
Machinery & Equipment	1,606,895	193,366	488,176	1,312,085
Contributed Equipment	60,530	-	-	60,530
Computer Software	222,320	2,735	-	225,055
Total	3,689,359	485,616	672,661	3,502,314
Total capital assets being depreciated, net	4,780,336	536,373	563,991	4,752,719
Capital assets, net	$ 4,890,237	$ 536,641	$ 563,991	$ 4,862,888

NOTE 5 COMPENSATED ABSENCES

A summary of compensated absences as of December 31, 2021 and December 31, 2020 was follows:

	2021	2020
Balance - January 1	$ 293,825	$ 271,886
Additions	182,615	195,316
Reductions	(184,382)	(173,378)
Balance - December 31	$ 292,058	$ 293,825
Amounts Due Within One Year	$ 152,516	$ 151,183

NOTE 6 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, 2021, 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, 2021, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At December 31, 2021, Southwest Water Authority reported a liability of $2,656,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2021, the Authority's proportion was 0.254862%, which was a increase of 0.002717% from its proportion measured as of June 30, 2020. At June 30, 2020, the Authority's proportion was 0.252145%, which was a decrease of 0.015275% from its proportion measured as of June 30, 2019.

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of $410,743 and $1,414,900, respectively. At December 31, 2021, 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	$ 45,862	$ (271,125)
Changes of assumptions	2,940,150	(3,833,341)
Net difference between projected and actual earnings on pension plan investments	-	(985,227)
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,819	(187,381)
Employer contributions subsequent to the measurement date	106,342	-
Total	$ 3,141,173	$ (5,277,074)

$106,342 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, 2022.

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

Year ending December 31:		
2022	$	357,449
2023		527,033
2024		407,856
2025		949,905

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	256,021	-
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

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, 2021	July 1, 2020
Inflation	2.25%	2.25%
Salary increases	3.50% to 17.75 %, including inflation	3.50% to 17.75 %, including inflation
Investment rate of return	7.00%, net of investment expenses	7.00%, 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-2020 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, 2021	July 1, 2020	July 1, 2021	July 1, 2020
Domestic Equity	30%	30%	6.00%	6.30%
International Equity	21%	21%	6.70%	6.85%
Private Equity	7%	7%	9.50%	9.75%
Domestic Fixed Income	23%	23%	0.73%	1.25%
Global Real Assets	19%	19%	4.77%	5.01%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the July 1, 2021 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%. 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%.

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 7.00% for the year ended December 31, 2021 and 4.64% for the year ended December 31, 2020, 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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability - December 31, 2021	$ 4,224,613	$ 2,656,428	$ 1,350,667

	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

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 7 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, 2021, the Southwest Water Authority reported a liability of $124,076 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2021, the Authority's proportion was 0.223089%, which was a decrease of 0.014761% from its proportion measured as of June 30, 2020. At June 30, 2020, the Authority's proportion was 0.237850%, which was a decrease of 0.011432% from its proportion measured as of June 30, 2019.

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense of $11,319 and $25,768, respectively.

At December 31, 2021, 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	$ 7,125	$ (3,401)
Changes of assumptions	19,215	-
Net difference between projected and actual earnings on OPEB plan investments	-	(42,511)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(20,603)
Employer contributions subsequent to the measurement date	13,683	-
Total	$ 40,022	$ (66,515)

$13,683 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, 2022.

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 June 30:	
2022	$ 8,204
2023	8,510
2024	10,320
2025	12,824
2026	318

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 June 30:	
2021	$ 3,412
2022	5,190
2023	4,864
2024	2,929
2025	201
2026	(68)

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, 2021	July 1, 2020
Inflation	2.25%	2.25%
Salary increases	Not applicable	Not applicable
Investment rate of return	6.50%, net of investment expenses	6.50%, net of investment expenses
Cost of living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the 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-2020 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, 2021 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2021	July 1, 2020	July 1, 2021	July 1, 2020
Large Cap Domestic Equities	33%	33%	5.85%	6.10%
Small Cap Domestic Equities	6%	6%	6.75%	7.00%
Domestic Fixed Income	35%	40%	0.50%	1.15%
International Equities	26%	21%	6.25%	6.45%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50% for the July 1, 2021 valuation and 6.50% for the July 1, 2020 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, 2021 and 2020, calculated using the discount rate of 6.50%, 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, 2021	$ 184,021	$ 124,076	$ 73,354

	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

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 8 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 9 TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatements Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. Management has determined that any tax abatements received are immaterial to the financial statements.

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. 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 22, 2022, which is the date these financials statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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
2021	0.254862%	$ 2,656,428	$ 2,886,030	92.04%	48.91%
2020	0.252145%	7,932,536	2,781,464	285.19%	71.66%
2019	0.267420%	3,134,356	2,781,628	112.68%	63.53%
2018	0.277297%	4,679,689	2,848,716	164.27%	61.98%
2017	0.286009%	4,597,103	2,919,708	157.45%	70.46%
2016	0.272280%	2,652,647	2,743,931	96.67%	77.15%
2015	0.242670%	1,650,142	2,161,934	76.33%	77.70%

*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.

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
2021	$ 216,008	$ (210,463)	$ -	$ 2,960,921	7.30%
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.

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
2021	0.223089%	$ 124,076	$ 2,432,240	5.10%	76.63%
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	0.260340%	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.

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EMPLOYER'S OPEB 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
2021	$ 28,564	$ (33,698)	$ -	$ 2,505,612	1.14%
2020	31,762	(17,162)	14,600	2,786,076	1.14%
2019	32,280	(17,526)	14,754	2,831,547	1.14%
2018	33,181	(18,004)	15,177	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

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

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

NOTE 2 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION

Changes of 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, 2020.

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

SUPPLEMENTARY INFORMATION

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Trans-mission	Distri-bution	Board of Directors	Admin-istration	Easement	Sign-up	Customer Service	Treatment	Total
Salaries	$ 1,106,117	$ 593,704	$ 45,120	$ 441,480	$ 86,826	$ 86,826	$ 45,583	$ 854,149	$ 3,259,805
Benefits	500,870	309,541	82	165,143	53,008	53,007	31,210	474,634	1,587,495
Payroll taxes	83,204	44,762	3,882	24,824	6,130	6,129	3,907	72,003	244,841
Professional fees	88,174	11,353	64,680	106,918	250	51,485	6,009	105,948	434,817
Supplies	6,540	2,090	1,192	10,444	3,227	2,808	3,262	4,706	34,269
Utilities	1,083,465	100,586	-	-	-	-	-	231,034	1,415,085
Repairs	229,724	304,923	-	6,101	884	884	250	95,710	638,476
Travel	111,241	37,847	16,152	3,057	613	564	-	8,775	178,249
Telephone	32,299	1,045	4,001	1,941	673	913	254	11,136	52,262
Capital repayment	2,365,893	3,202,491	-	-	-	-	-	-	5,568,384
Insurance	64,856	-	18,200	4,543	-	-	-	38,925	126,524
Maintenance	909,904	-	-	-	-	-	-	-	909,904
Printing and promotion	31,134	200	2,242	8,260	1,159	372	24,724	-	68,091
Postage	1,884	497	323	771	941	3,595	44,894	1,283	54,188
Dues and subscriptions	310	139	30,141	14,916	210	210	-	50	45,976
Development and education	2,412	904	2,160	966	128	128	100	1,502	8,300
Water testing	-	12,641	-	-	-	-	-	15,434	28,075
Chemicals	-	-	-	-	-	-	-	569,845	569,845
Bad debts (recoveries)	-	-	-	-	-	-	12,606	-	12,606
Rent	6,000	-	-	-	-	-	-	-	6,000
Depreciation	203,364	193,762	266	1,924	725	725	1,919	27,006	429,691
Miscellaneous	6,105	181	-	889	96	71	6,853	237	14,432
	$ 6,833,496	$ 4,816,666	$ 188,441	$ 792,177	$ 154,870	$ 207,717	$ 181,571	$ 2,512,377	$ 15,687,315

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

	Trans-mission	Distri-bution	Board of Directors	Admin-istration	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
SCHEDULES OF PERCENTAGE CHANGE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020	Percent Change
Salaries	$ 3,259,805	$ 3,226,245	1.04%
Benefits	1,587,495	2,558,911	-37.96%
Payroll taxes	244,841	236,693	3.44%
Professional fees	434,817	400,290	8.63%
Supplies	34,269	28,801	18.99%
Utilities	1,415,085	1,257,731	12.51%
Repairs	638,476	888,940	-28.18%
Travel	178,249	124,455	43.22%
Telephone	52,262	54,656	-4.38%
Capital repayment	5,568,384	5,504,681	1.16%
Insurance	126,524	126,618	-0.07%
Maintenance	909,904	1,071,771	-15.10%
Printing and promotion	68,091	61,522	10.68%
Postage	54,188	50,580	7.13%
Dues and subscriptions	45,976	46,725	-1.60%
Development and education	8,300	5,458	52.07%
Water testing	28,075	33,325	-15.75%
Chemicals	569,845	580,565	-1.85%
Bad debts (recoveries)	12,606	84	14907.14%
Rent	6,000	6,000	0.00%
Depreciation	429,691	485,616	-11.52%
Miscellaneous	14,432	13,303	8.49%
	$ 15,687,315	$ 16,762,970	-6.42%

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*

To the Board of Directors and Stockholders
Southwest Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Southwest Water Authority as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Southwest Water Authority's basic financial statements and have issued our report thereon dated March 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit 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 the 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 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 or significant deficiencies may exist that were not identified.

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

Brady Martz

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

March 22, 2022