

**NORTH PRAIRIE REGIONAL WATER DISTRICT
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	7
Notes to the Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	29
Schedule of Findings and Questioned Costs	32
Schedule of Prior Year Audit Findings	36
Corrective Action Plan	39

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Prairie Regional Water District
Minot, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of North Prairie Regional Water District as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North Prairie Regional Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of North Prairie Regional Water District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 North Prairie Regional Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of 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 North Prairie Regional Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Prairie Regional Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Prairie Regional Water District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2023 on our consideration of North Prairie Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

July 24, 2023

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 7,147,214	\$ 6,468,257
Accounts receivable (net of allowance of \$14,608 in 2022 and \$4,296 in 2021)	715,465	726,239
Grants receivable	350,831	-
Prepaid expenses	17,084	16,520
Total current assets	<u>8,230,594</u>	<u>7,211,016</u>
Capital assets, net of accumulated depreciation	<u>62,442,344</u>	<u>59,599,145</u>
Other assets:		
Cash reserved for debt service	3,371,876	3,131,924
Cash reserved for construction	466,205	127,104
Investments - certificates of deposit	150,000	150,000
Total other assets	<u>3,988,081</u>	<u>3,409,028</u>
Total assets	<u>74,661,019</u>	<u>70,219,189</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,150,333	814,646
Accrued liabilities	97,167	98,523
Interest and fee payable	281,041	277,043
Current portion of loans and bonds payable	1,251,894	1,133,092
Unearned revenue	53,895	50,795
Total current liabilities	<u>2,834,330</u>	<u>2,374,099</u>
Long-term liabilities:		
Loans and bonds payable	28,615,172	28,624,042
Water cents program	306,763	282,869
Total long-term liabilities	<u>28,921,935</u>	<u>28,906,911</u>
Total liabilities	<u>31,756,265</u>	<u>31,281,010</u>
NET POSITION		
Net investment in capital assets	32,575,278	29,842,011
Restricted reserve for debt service	3,371,876	3,131,924
Restricted reserve for construction	466,205	127,104
Unrestricted	6,491,395	5,837,140
Total net position	<u>\$ 42,904,754</u>	<u>\$ 38,938,179</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE		
Water sales	\$ 6,399,469	\$ 6,566,225
User agreement income	124,600	148,100
Sewer income	74,688	49,712
Penalty fee income	56,768	54,665
Transfer fee income	11,675	11,685
Other income	73,110	100,164
Total operating revenue	<u>6,740,310</u>	<u>6,930,551</u>
OPERATING EXPENSES		
Operations and maintenance		
Cost of water	1,199,723	1,199,160
Sewer expense	24,001	18,763
Contract management	5,186	5,199
Labor and benefits	911,659	823,257
Utilities	303,631	283,828
Chemical and supplies	226,282	175,674
Repairs and maintenance	462,902	583,376
Transportation expense	112,246	67,031
Bad debt expense	11,154	-
Administration and general expenses		
Billing and software support	25,827	28,615
Office repairs and maintenance	25,725	26,545
Postage and delivery	27,882	23,617
Dues, fees and subscriptions	48,578	47,110
Utilities	51,423	31,025
Training	8,251	8,893
Insurance	42,624	41,335
Board and meeting expense	14,013	9,383
Marketing and advertising	20,069	11,969
Legal and professional	199,053	166,267
Miscellaneous	2,778	4,812
Depreciation expense	<u>2,312,358</u>	<u>2,228,803</u>
Total operating expenses	<u>6,035,365</u>	<u>5,784,662</u>
OPERATING INCOME	<u>704,945</u>	<u>1,145,889</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 45,408	\$ 22,193
Gain (loss) on sale of fixed assets	29,515	(7,112)
Impact source fees	29,100	28,544
State grant revenue	3,988,631	797,953
Interest and fee expense	(831,024)	(832,696)
Total nonoperating revenues (expenses)	<u>3,261,630</u>	<u>8,882</u>
CHANGE IN NET POSITION	<u>3,966,575</u>	<u>1,154,771</u>
NET POSITION - JANUARY 1	<u>38,938,179</u>	<u>37,783,408</u>
NET POSITION - DECEMBER 31	<u>\$ 42,904,754</u>	<u>\$ 38,938,179</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,778,078	\$ 6,881,404
Cash payments to suppliers	(2,482,433)	(2,077,401)
Cash payments to employees	(906,807)	(825,965)
Net cash provided by operating activities	<u>3,388,838</u>	<u>3,978,038</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,163,542)	(2,247,314)
Proceeds from sale of capital assets	37,500	19,020
Proceeds from loans and bonds payable	1,284,378	780,206
Payments of principal on loans and bonds payable	(1,112,979)	(1,063,010)
Impact source fees	29,100	28,544
Grant revenue	3,576,333	535,018
Interest and fees paid on loans and bonds payable	(827,026)	(838,912)
Net cash used by capital and related financing activities	<u>(2,176,236)</u>	<u>(2,786,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income on investments	45,408	22,193
Net cash provided by investing activities	<u>45,408</u>	<u>22,193</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,258,010	1,213,783
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>9,727,285</u>	<u>8,513,502</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 10,985,295</u>	<u>\$ 9,727,285</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cashs equivalents	\$ 7,147,214	\$ 6,468,257
Cash reserved for debt service	3,371,876	3,131,924
Cash reserved for construction	466,205	127,104
	<u>\$ 10,985,295</u>	<u>\$ 9,727,285</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2022</u>	<u>2021</u>
Operating income	\$ 704,945	\$ 1,145,889
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,312,358	2,228,803
Effects on operating cash flows due to changes in:		
Accounts receivable	10,774	(81,771)
Prepaid expenses	(564)	5,734
Accounts payable	335,687	656,234
Accrued liabilities	(1,356)	(9,475)
Unearned revenue	3,100	4,425
Water cents program	<u>23,894</u>	<u>28,199</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 3,388,838</u></u>	 <u><u>\$ 3,978,038</u></u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING CAPITAL, AND FINANCING ACTIVITIES:		
Gain on forgiveness of principal on loans and bonds payable	\$ 61,467	\$ 262,935

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of North Prairie Regional Water District ("the District") is presented to assist in understanding the District's financial statements.

The District 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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting guidelines.

Nature of operations and history

In 2020, North Prairie Regional Water District was formed by combining North Prairie Rural Water District and North Central Regional Water District into one entity. North Prairie Regional Water District is organized as a municipal water system under North Dakota Century Code 61-35. Its purpose is to pump and distribute water to its users. It is exempt from federal income tax under section 501(C)1 of the Internal Revenue Code. The District is accounted for as a special purpose government engaged in a business-type activity. Business-type activities are used to account for operations that are financed or operated in a manner similar to the private sector, where the intent is that the costs of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

Reporting entity

In evaluating how to define the District 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). North Prairie Regional Water District 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 District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or import specific financial burdens on the District. Component units may also include organizations that are fiscally dependent on the District.

Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The accompanying financial statements have been presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

The District reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those normally financed in whole or in part by fees and charges for services to external parties.

The District's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets, liabilities, net position, revenues and expenses are accounted for through a single business-type activity. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. Equity is classified as net position.

Business-type activities distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses are those that generally result from providing service and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Revenue from water and sewer sales, user fees, penalties, transfer fees and other miscellaneous income are reported as operating revenue. Interest income and grant revenue received is reported as nonoperating revenue. All expenses related to operating the District are reported as operating expenses. Interest expense and financing costs are reported as nonoperating.

Cash and cash equivalents and investments

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Investments are stated at cost and the District is authorized by the Board to invest in short-term and long-term certificates of deposit.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of cash set aside for the reserve for debt service and construction.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimated allowance for uncollectible accounts. Management determines the allowance for uncollectible accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Payments of trade receivables are applied to the earliest unpaid invoices. Once an accounts receivable is deemed uncollectible it is written off and recoveries of accounts receivable previously written off are recorded when received.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

Late fees are charged on trade receivables that are outstanding for more than 30 days and are recognized as they are charged. Late fees are charged until such time as the balance is determined to be uncollectible by management.

Grants receivable

Proceeds from grant awards are received on a reimbursement basis. Under the reimbursement basis, the expenses are incurred prior to the granting agency reimbursing funds. Grant revenue and related grant receivables are recognized when the expenses have been incurred, but not yet reimbursed.

Prepaid expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense at the time of consumption.

Investment policy

The District does not have a formal investment policy. State statutes authorize local governments to invest in:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) 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.
- (3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
- (4) Obligations of the State.

Capital assets

Capital assets are recorded at historical cost less accumulated depreciation. A portion of the cost of the capital assets is charged against earnings each year as depreciation expense. Depreciation is computed on the straight-line basis, over the estimated useful life of the asset. Donated capital assets are recorded at estimated acquisition value at the date of donation. The District established a capitalization threshold of \$4,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The District has established the following useful lives:

Treatment Plant and System	20 to 100 years
Office and Storage Buildings	15 to 50 years
Equipment	5 to 50 years

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

Unearned revenue

The District charges a hook up fee to all potential customers as a result of new service projects. These fees are refundable until the project bid is accepted and approved. Once the project is approved, these fees are recognized as revenues.

Long-term debt

All long-term debt arising from cash transactions to be repaid from operations is reported as a liability in the financial statements. The long-term debt consists primarily of loans and bonds payable. Bond premiums and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

Water cents program liability

The Water Cents Program liability consists of deposits from customers of the District to be awarded in the form of scholarships to area high school or college students who receive water service from the District, whose family receives water service from the District, or to students who are enrolled in the Bismarck State College Water & Wastewater technology course that are receiving water service from the District. Each year, at the District's annual meeting, individual scholarships are awarded to applicants.

Employee benefit plan

The District established a Simple IRA plan as of March 1, 2010. The Plan is a defined contribution plan covering all employees of the company after 90 days of employment. The District matches 100% of employee elective deferrals up to 3% of the employee's gross salary. Employees are allowed to contribute up to the IRS limits. District contributions to the plan totaled \$17,307 and \$16,778 for the years ended December 31, 2022 and 2021, respectively.

Compensated absences

District employees accumulate vacation hours for subsequent use or for payment upon termination or retirement. Vacation expenses to be paid in future periods are accrued when incurred. The District accrues 8-12 hours monthly for employees based on their years of employment, with a carryover limit at year-end of 240 hours. A liability for these amounts is reported as part of accrued liabilities in the statement of net position.

Net position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net position is classified in the following three components:

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.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

Restricted Net Position consists of assets restricted by constraints imposed by (1) external groups such as creditors, grantor, contributors or regulations of other governments; or (2) law through constitutional provisions or enabling legislation reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position consists of net position that do not meet the definition of "restricted" or "invested in capital assets."

Net position flow assumption

Sometimes, the government will fund capital outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of estimates

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

NOTE 2 CUSTODIAL CREDIT RISK

This is the risk that, in the event a financial institution fails, the District 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 District 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, 2022, all of the District's cash balances were either covered by FDIC insurance or collateral held in the District's name.

NOTE 3 GRANTS RECEIVABLE

Grants receivable for the years ended December 31, 2022 and 2021 consist of the following:

Grant Receivable	2022	2021
SWC Grant:		
Mountrail PH II & III	\$ 229,892	\$ -
HWY 52 Logan to Velva	120,939	-
Total	<u>\$ 350,831</u>	<u>\$ -</u>

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance 1/1/2022	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 146,270	\$ -	\$ -	\$ 146,270
Construction in progress	1,189,834	4,805,146	-	5,994,980
Total	1,336,104	4,805,146	-	6,141,250
Capital assets, being depreciated:				
Water system and treatment plant	77,365,023	108,427	-	77,473,450
Office and storage buildings	494,434	3,157	-	497,591
Equipment	1,359,097	247,312	68,676	1,537,733
Total	79,218,554	358,896	68,676	79,508,774
Less accumulated depreciation:				
Water system and treatment plant	19,716,488	2,210,042	-	21,926,530
Office and storage buildings	230,889	21,599	-	252,488
Equipment	1,008,136	80,717	60,191	1,028,662
Total	20,955,513	2,312,358	60,191	23,207,680
Total capital assets being depreciated, net	58,263,041	(1,953,462)	8,485	56,301,094
Capital assets, net	\$ 59,599,145	\$ 2,851,684	\$ 8,485	\$ 62,442,344
	Balance 1/1/2021	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 146,270	\$ -	\$ -	\$ 146,270
Construction in progress	3,201,355	1,837,930	3,849,451	1,189,834
Total	3,347,625	1,837,930	3,849,451	1,336,104
Capital assets, being depreciated:				
Water system and treatment plant	73,170,201	4,214,292	19,470	77,365,023
Office and storage buildings	490,886	18,817	15,269	494,434
Equipment	1,403,353	29,995	74,251	1,359,097
Total	75,064,440	4,263,104	108,990	79,218,554
Less accumulated depreciation:				
Water system and treatment plant	17,572,539	2,143,949	-	19,716,488
Office and storage buildings	226,272	19,807	15,190	230,889
Equipment	1,006,488	65,047	63,399	1,008,136
Total	18,805,299	2,228,803	78,589	20,955,513
Total capital assets being depreciated, net	56,259,141	2,034,301	30,401	58,263,041
Capital assets, net	\$ 59,606,766	\$ 3,872,231	\$ 3,879,852	\$ 59,599,145

Depreciation expense on capital assets for the years ended December 31, 2022 and 2021 totaled \$2,312,358 and \$2,228,803, respectively.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 5 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the years ended December 31, 2022 and 2021:

	Balance 1/1/2022	Additions	Reductions	Forgiven	Balance 12/31/2022	Due within one year
Notes payable						
Rural Development - Ward McLean	\$ 4,280,805	\$ -	\$ 85,215	\$ -	\$ 4,195,590	\$ 87,558
CoBank - Plaza Project	256,857	-	15,564	-	241,293	16,442
USDA - Berthold Carpio Phase II	775,725	-	10,262	-	765,463	11,560
USDA - GSD	2,249,493	-	29,758	-	2,219,735	33,523
Bonds						
BND - 2007 Revenue Bonds	1,885,000	-	355,000	-	1,530,000	365,000
BND - 2014 Revenue Bonds - Series A	2,870,000	-	120,000	-	2,750,000	125,000
BND - 2016 Revenue Bonds	885,590	-	25,590	-	860,000	30,000
BND - 2016B Revenue Bonds - S. Transmission	186,098	-	11,155	-	174,943	11,337
BND - 2017A Revenue Bonds - Berthold Carpio	176,950	-	9,872	-	167,078	12,000
BND - 2017B Revenue Bonds - GSD	114,400	-	6,378	-	108,022	6,474
BND - 2018 Revenue Bonds	314,000	-	8,000	-	306,000	12,000
BND - 2019 Revenue Bonds	3,001,330	68,855	85,185	-	2,985,000	90,000
BND - 2019 Revenue Bonds - Anamoose WTR	387,000	-	10,000	-	377,000	11,000
BND - 2020 Revenue Bonds - Series A (NP)	2,575,000	-	65,000	-	2,510,000	65,000
BND - 2020 Revenue Bonds - Series A (NC)	9,415,000	-	240,000	-	9,175,000	245,000
BND - 2021 Revenue Bonds	81,895	81,956	5,000	61,467	97,384	5,000
BND - 2021B Revenue Bonds	236,495	435,209	-	-	671,704	95,000
BND - 2021C Revenue Bonds	65,496	698,358	31,000	-	732,854	30,000
Total	<u>\$ 29,757,134</u>	<u>\$ 1,284,378</u>	<u>\$ 1,112,979</u>	<u>\$ 61,467</u>	<u>\$ 29,867,066</u>	<u>\$ 1,251,894</u>

	Balance 1/1/2021	Additions	Reductions	Forgiven	Balance 12/31/2021	Due within one year
Notes payable						
Rural Development - Ward McLean	\$ 4,363,740	\$ -	\$ 82,935	\$ -	\$ 4,280,805	\$ 85,215
CoBank - Plaza Project	271,591	-	14,734	-	256,857	15,564
USDA - Berthold Carpio Phase II	786,621	-	10,896	-	775,725	11,223
USDA - GSD	2,281,091	-	31,598	-	2,249,493	32,546
Bonds						
BND - 2007 Revenue Bonds	2,230,000	-	345,000	-	1,885,000	355,000
BND - 2014 Revenue Bonds - Series A	2,985,000	-	115,000	-	2,870,000	120,000
BND - 2016 Revenue Bonds	850,397	65,193	30,000	-	885,590	30,000
BND - 2016B Revenue Bonds - S. Transmission	197,137	-	11,039	-	186,098	11,166
BND - 2017A Revenue Bonds - Berthold Carpio	186,685	-	9,735	-	176,950	12,000
BND - 2017B Revenue Bonds - GSD	120,693	-	6,293	-	114,400	6,378
BND - 2018 Revenue Bonds	307,599	16,183	9,782	-	314,000	12,000
BND - 2019 Revenue Bonds	3,053,722	32,608	85,000	-	3,001,330	90,000
BND - 2019 Revenue Bonds - Anamoose WTR	383,597	13,651	10,248	-	387,000	11,000
BND - 2020 Revenue Bonds - Series A (NP)	2,640,000	-	65,000	-	2,575,000	65,000
BND - 2020 Revenue Bonds - Series A (NC)	9,645,000	-	230,000	-	9,415,000	240,000
BND - 2021 Revenue Bonds	-	350,580	5,750	262,935	81,895	5,000
BND - 2021B Revenue Bonds	-	236,495	-	-	236,495	-
BND - 2021C Revenue Bonds	-	65,496	-	-	65,496	31,000
Total	<u>\$ 30,302,873</u>	<u>\$ 780,206</u>	<u>\$ 1,063,010</u>	<u>\$ 262,935</u>	<u>\$ 29,757,134</u>	<u>\$ 1,133,092</u>

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

Notes payable

Rural Development – Ward McLean: In 2013, the District entered into a long-term loan agreement with United States Rural Development whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$4,885,350. Monthly principal and interest payments began in 2014. The loan carries an interest rate of 2.75% and will mature in May 2053.

CoBank – Plaza Project: In 2013, the District entered into a long-term loan agreement with CoBank whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$355,000. Monthly principal and interest payments began in 2014. The loan carries an interest rate of 5.50% and will mature in December 2033.

USDA – Berthold Carpio Phase II: In 2019, the District entered into a long-term loan agreement with USDA whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$797,200. Annual principal and interest payments began in 2020. The loan carries an interest rate of 3.00% and will mature in December 2059.

USDA – Granville Surrey Deering: In 2019, the District entered into a long-term loan agreement with USDA whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$2,311,769. Annual principal and interest payments began in 2020. The loan carries an interest rate of 3.00% and will mature in December 2059.

Revenue bonds

BND – 2007 Revenue Bonds: In 2007, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$5,700,000. Principal and interest payments are due March 1 and September 1 of each year. These bonds carry an interest rate of 2.50% and will mature on September 1, 2026.

BND – 2014 Revenue Bonds – Series A: In 2014, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,100,000. Principal and interest payments are due on March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 2.10% to 4.30% and will mature on September 1, 2039.

BND – 2016 Revenue Bonds: In 2016, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$1,126,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 2.00% and will mature on September 1, 2046.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

BND – 2016B Revenue Bonds - S. Transmission: In 2016, the District entered into a long-term loan agreement with the Bank of North Dakota whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$239,975. Principal and interest payments are due April 24 and October 24 of each year. The loan carries an interest rate of 1.50% and will mature on October 24, 2036.

BND – 2017A Revenue Bonds – Berthold Carpio: In 2017, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$215,000. Principal and interest payments are due February 1 and August 1 of each year. These bonds carry an interest rate of 1.50% and will mature on August 1, 2037.

BND – 2017B Revenue Bonds – Granville Surrey Deering: In 2017, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$139,000. Principal and interest payments are due February 1 and August 1 of each year. These bonds carry an interest rate of 1.50% and will mature on August 1, 2037.

BND – 2018 Revenue Bonds: In 2018, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$450,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2048.

BND – 2019 Revenue Bonds: In 2019, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,367,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2048.

BND – 2019 Revenue Bonds – Anamoose WTR: In 2019, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$428,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2049.

BND – 2020 Revenue Bonds – Series A (NP): In 2020, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$2,745,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 1.25% to 3.00% and will mature on September 1, 2049.

BND – 2020 Revenue Bonds – Series A (NC): In 2020, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$9,825,000. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 2.125% to 3.125% and will mature on September 1, 2051.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

BND – 2021 Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$383,000 and qualified for forgiveness in the amount of \$287,250. In March 2022, a \$70,000 increase in the bonds was closed, bringing the total bond issuance to \$453,000 and qualifying for forgiveness in the amount of \$339,750. As the loan is drawn upon, the District receives 75% of the amount drawn as forgiveness. Therefore, the District has a maximum loan amount of \$113,250. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2039.

BND – 2021B Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,825,000. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2052.

BND – 2021C Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$1,151,000. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2051.

The District complied with all covenants on their loans as of December 31, 2022.

The future expected requirements to amortize long-term debt including interest are as follows:

Year Ending December 31,	Principal		Interest		Total
	Revenue Bonds	Notes Payable	Revenue Bonds	Notes Payable	
2023	\$ 1,102,811	\$ 149,083	\$ 569,901	\$ 217,720	\$ 2,039,515
2024	1,123,075	153,736	544,091	213,067	2,033,969
2025	1,164,356	158,616	517,049	208,187	2,048,208
2026	1,189,635	163,628	489,075	203,175	2,045,513
2027	1,094,918	168,811	766,947	197,992	2,228,668
2028 - 2032	4,039,684	928,236	1,881,533	905,780	7,755,233
2033 - 2037	4,186,236	956,640	1,370,294	759,840	7,273,010
2038 - 2042	3,934,384	1,067,728	947,271	619,588	6,568,971
2043 - 2047	3,080,854	1,228,061	512,662	459,255	5,280,832
2048 - 2052	1,529,000	1,412,518	151,631	274,798	3,367,947
2053 - 2057	-	775,614	-	97,019	872,633
2058 - 2059	-	259,442	-	11,534	270,976
	<u>\$ 22,444,953</u>	<u>\$ 7,422,113</u>	<u>\$ 7,750,454</u>	<u>\$ 4,167,955</u>	<u>\$ 41,785,475</u>

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 6 OPERATING LEASES

The District entered into a five-year lease agreement for the rental of a skid steer beginning November 25, 2019. The lease required an advance lease payment of \$764 and monthly payments of \$707.

Rent expense totaled \$8,481 for the years ended December 31, 2022 and 2021.

Future minimum annual lease payments payable by the District on the above lease are as follows:

Year ending December 31,	
2023	\$ 8,481
2024	7,774
	<u>\$ 16,255</u>

NOTE 7 COMMITMENTS

Water sales agreements – The District has water contracts with the Cities of Sawyer, Ryder, Granville, Plaza, Surrey and Burlington, North Dakota, whereby the District sells water at rates established in the contracts. The rates paid by the District under the contract are subject to review at intervals as it deems appropriate or explicitly stated in the contract.

Construction in progress – The District has entered into agreements relating to the construction of several water expansion projects. The following is a summary of the remaining commitments by project:

Project	Total Cost of Project	Remaining Commitment
Mountrail Phases II & III	\$ 3,918,033	\$ 256,106
HWY 52 Logan to Velva	1,548,060	77,403
Total	<u>\$ 5,466,093</u>	<u>\$ 333,509</u>

NOTE 8 CONCENTRATION OF CREDIT RISK

North Prairie Regional Water District, located in Minot, North Dakota, provides a comprehensive water supply to meet the needs for north central North Dakota. The District grants credit to customers located within this service area. The amount of accounting loss could be equivalent to the accounts receivable balance at year end.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state agencies and political subdivisions of the State of North Dakota 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. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimated replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District also participates in Workforce Safety Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from the above risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 FEDERAL AND STATE GRANTS

The District receives grant funds from various state and federal agencies from time to time. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 11 FUTURE GASB PRONOUNCEMENTS

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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

With the exception of the new standards discussed above, management has not identified any other new accounting pronouncements that have potential significance to the District's financial statements.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 24, 2023, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal AL Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<i>Drinking Water State Revolving Fund Cluster-Cluster</i>			
United States Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	North Dakota Public Finance Authority,N/A	\$ 1,276,483
Total Capitalization Grants for Drinking Water State Revolving Funds			1,276,483
Total United States Environmental Protection Agency (EPA)			1,276,483
Total Expenditures of Federal Awards			\$ 1,276,483

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the “schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

NOTE 2 INDIRECT COST RATE

North Prairie Regional Water District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS FOR PRESENTATION

This accompanying schedule includes the federal award activity of North Prairie Regional Water District under programs of the federal government for the year then ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of North Prairie Regional Water District, it is not intended to and does not present the financial position, change in net position, or cash flows of North Prairie Regional Water District.

NOTE 4 FINANCIAL STATEMENT RECONCILIATION

The following is a reconciliation between the amount presented on the schedule and amounts presented on the financial statements as of December 31, 2022.

Reconciliation to the Financial Statements	
Notes payable, December 31, 2021 (expended before 2022)	\$ 6,856,806
Advances during 2022 (expended during 2021)	249,509
Advances during 2022 (expended during 2022)	* 1,034,869
Principal payments during 2022	(519,775)
Loan forgiveness during 2022	(61,467)
Notes payable, December 31, 2022	<u>7,559,942</u>
 Payables as of December 31, 2022 (expended in 2022)	 * <u>241,614</u>
 Total expended during 2022	 * <u><u>\$ 1,276,483</u></u>

**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
North Prairie Regional Water District
Minot, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of North Prairie Regional Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North Prairie Regional Water District's basic financial statements, and have issued our report thereon dated July 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Prairie Regional Water District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Prairie Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Prairie Regional Water District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Prairie Regional Water District'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*.

North Prairie Regional Water District's Response to Findings

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

Purpose of this Report

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



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

July 24, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
North Prairie Regional Water District
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Prairie Regional Water District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of North Prairie Regional Water District's major federal programs for the year ended December 31, 2022. North Prairie Regional Water District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Prairie Regional Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Prairie Regional Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Prairie Regional Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Prairie Regional Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Prairie Regional Water District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Prairie Regional Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 North Prairie Regional Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Prairie Regional Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Prairie Regional Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 24, 2023

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2022

Section II. Findings Relating to Financial Statements

2022-001 *Preparation of Financial Statements – Material Weakness*

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America. This requires the District personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of responsible officials and planned corrected actions

Due to the small size of the District, it is not cost effective for the District to properly address this material weakness at this time.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
DECEMBER 31, 2022

2022-002 *Proposition of Journal Entries – Material Weakness*

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of responsible officials and planned corrected actions

Due to the small size of the District's accounting department, it is not cost effective for the District to properly address this material weakness.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
DECEMBER 31, 2022

2022-003 *Segregation of Duties – Significant Deficiency*

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of responsible officials and planned corrected actions

The Board will review the accounting functions and will strive to improve in areas that are economically feasible.

Section III. Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2022

Section IV. Prior Year Findings Relating to Financial Statements

2021-001 *Preparation of Financial Statements – Material Weakness*

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America. This requires the District personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

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

Cause

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

Effect

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

Status

This is a repeat finding. See current year finding 2022-001.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
DECEMBER 31, 2022

2021-002 *Proposition of Journal Entries – Material Weakness*

Criteria

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

Condition

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

Cause

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

Effect

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

Status

This is a repeat finding. See current year finding 2022-002.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
DECEMBER 31, 2022

2021-003 *Segregation of Duties – Significant Deficiency*

Criteria

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

Condition

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

Cause

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

Effect

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

Status

This is a repeat finding. See current year finding 2022-003.



CORRECTIVE ACTION PLAN

Name of Auditee: North Prairie Regional Water District

Auditor / Audit Firm: Brady Martz & Associates, P.C.

Audit Period: Year Ending December 31, 2022

2022-001 Preparation of Financial Statements – Material Weakness

A. Prior Year Findings

- The prior year finding is a repeat finding in the current year.

B. Comments on Findings and Recommendations

- We concur with the findings.

C. Actions Taken or Planned

- Will document review of financial statements and notes.

2022-002 Proposition of Journal Entries – Material Weakness

A. Prior Year Findings

- The prior year finding is a repeat finding in the current year.

B. Comments on Findings and Recommendations

- We concur with the findings.

C. Actions Taken or Planned

- Board will review the accounting functions and will strive to improve in areas that are economically feasible.

2022-003 Segregation of Duties – Significant Deficiency

A. Prior Year Findings

- The prior year finding is a repeat finding in the current year.

B. Comments on Findings and Recommendations

- We concur with the findings.

C. Actions Taken or Planned

- Board will review the accounting functions and will strive to improve in areas that are economically feasible.

Signed,

A handwritten signature in black ink, appearing to read 'Teresa Sundsbak', is written over a horizontal line.

Teresa Sundsbak, General Manager
North Prairie Regional Water District
Ph: (701) 852-1886