R & T WATER DISTRICT
RAY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
R & T Water District
Ray, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of the business-type activities of R & T 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 R & T 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 modified cash basis financial position of the business-type activities of R & T Water District, as of December 31, 2022 and 2021, and the respective changes in modified cash basis financial position and cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 R & T 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 opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 R & T 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 R & T 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2023, on our consideration of R & T 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 R & T Water District's internal control over financial reporting and compliance.

Brady Martz

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

June 16, 2023

R & T WATER DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022 AND 2021

	2022	2021
Current assets		
Cash and cash equivalents	$ 6,480,534	$ 6,515,679
Current portion of receivable from WAWSA	439,167	429,167
Current portion of receivable from members	102,508	98,565
Total current assets	7,022,209	7,043,411
Noncurrent assets		
Beneficial interest in trust	64,197	61,129
Restricted cash and cash equivalents	1,288,150	1,297,150
Capital assets, net of accumulated depreciation	14,542,070	15,420,149
Cost shared infrastructure, net	12,080,617	11,621,325
Receivable from WAWSA, net of current portion	4,265,465	4,704,632
Receivable from members, net of current portion	3,112,721	3,217,594
Total noncurrent assets	35,353,220	36,321,979
Total assets	42,375,429	43,365,390

SEE NOTES TO THE FINANCIAL STATEMENTS

R & T WATER DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS - *CONTINUED*
DECEMBER 31, 2022 AND 2021

	2022	2021
Current liabilities		
Customer deposits	$ 464,500	$ 473,500
Current portion of bonds payable	570,000	555,000
Current portion of liability on cost shared infrastructure	491,290	482,540
Total current liabilities	1,525,790	1,511,040
Long-term liabilities		
Bonds payable, net of current portion	8,020,000	8,590,000
Liability on cost shared infrastructure, net of current portion	7,607,129	7,057,222
Total long-term liabilities	15,627,129	15,647,222
Total liabilities	17,152,919	17,158,262
Deferred inflows - Western Area Water Supply Authority	11,111,373	11,236,220
Deferred inflows - Members	3,154,080	3,285,500
Total deferred inflows of resources	14,265,453	14,521,720
Net investment in capital assets	3,588,676	4,284,950
Restricted for:		
Beneficial interest in trust	64,197	61,129
Debt service	823,650	823,650
Unrestricted	6,480,534	6,515,679
Total net position	$ 10,957,057	$ 11,685,408

SEE NOTES TO THE FINANCIAL STATEMENTS

R & T WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating revenue		
Water sales	$ 2,459,533	$ 2,361,578
Bulk sales	32,949	29,317
Hook-up revenue	93,700	307,000
WAWSA operating reimbursement	1,043,657	1,100,975
Total operating revenue	3,629,839	3,798,870
Operating expenses		
Governing board	16,336	17,164
Salaries	728,287	691,303
Retirement	49,717	48,674
Health and dental insurance	96,034	109,117
Education and training	2,116	1,836
Utilities	111,567	106,344
Chemicals	189,502	167,782
Maintenance, repairs and supplies	596,608	349,319
Office expense	26,118	23,056
Insurance	20,959	19,656
Dues and subscriptions	3,527	4,021
Cost of water sold	1,271,913	1,295,838
Depreciation	1,035,837	1,037,656
Amortization	413,011	413,011
Professional fees	42,686	44,662
Total operating expenses	4,604,218	4,329,439
Operating income (loss)	(974,379)	(530,569)
NONOPERATING REVENUE (EXPENSES)		
Increase (decrease) of beneficial interest in trust	3,068	4,504
Interest/dividend income	56,941	48,005
WAWSA interest reimbursement	130,271	140,475
Member interest reimbursement	63,476	65,447
Interest expense on cost shared infrastructure liability	(139,934)	(113,098)
Interest expense on bonds payable	(163,950)	(174,375)
Amortization of WAWSA deferred inflows	124,847	124,847
Amortization of member deferred inflows	131,420	131,420
Other revenues	82,736	69,739
Gain (loss) on sale of assets	14,516	(44,856)
Other expenses	(57,363)	(58,806)
Total nonoperating revenue (expenses)	246,028	193,302
CHANGE IN NET POSITION	(728,351)	(337,267)
NET POSITION - JANUARY 1	11,685,408	12,022,675
NET POSITION - DECEMBER 31	$ 10,957,057	$ 11,685,408

SEE NOTES TO THE FINANCIAL STATEMENTS

R & T WATER DISTRICT
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 2,577,182	$ 2,682,695
Operating reimbursement from related party	1,043,657	1,100,975
Payments to suppliers	(2,264,996)	(2,012,514)
Payments on behalf of employees	(145,751)	(157,791)
Payments to employees	(744,623)	(708,467)
Net cash provided by operating activities	465,469	904,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other revenue (expenses)	25,373	10,933
Net cash provided (used) by noncapital financing activities	25,373	10,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Reimbursement of cost shared infrastructure	66,351	-
Acquisition and construction of capital assets	(40,699)	(223,307)
Payment on bonds payable	(555,000)	(545,000)
Reimbursement from WAWSA for bond payments	559,438	559,642
Reimbursement from Members for bond payments	206,029	208,000
Interest expense on bonds payable	(163,950)	(174,375)
Payment on cost shared infrastructure liability	(482,540)	(330,665)
Interest expense on cost shared infrastructure liability	(139,934)	(113,098)
Payment on Member debt	(41,623)	(115,301)
Net cash used for capital and related financing activities	(591,928)	(734,104)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest/dividend income	56,941	48,005
Net cash provided by investing activities	56,941	48,005
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44,145)	229,732
CASH AND CASH EQUIVALENTS - JANUARY 1	7,812,829	7,583,097
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 7,768,684	$ 7,812,829
RECONCILIATION OF CASH PRESENTATION TO CASH AND CASH EQUIVALENTS		
Current assets		
Cash and cash equivalents	$ 6,480,534	$ 6,515,679
Noncurrent assets		
Restricted cash and cash equivalents	1,288,150	1,297,150
Total cash and cash equivalents	$ 7,768,684	$ 7,812,829

SEE NOTES TO THE FINANCIAL STATEMENTS

R & T WATER DISTRICT
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS - *CONTINUED*
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (974,379)	$ (530,569)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,035,837	1,037,656
Amortization expense	413,011	413,011
Effects on operating cash flows due to changes in:		
Customer deposits	(9,000)	(15,200)
Net cash provided by operating activities	$ 465,469	$ 904,898
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in value of beneficial interest in trust	$ 37,751	$ 29,078
Distribution of beneficial interest in trust	(34,683)	(24,574)
Amortization of WAWSA deferred inflows	124,847	124,847
Amortization of Member deferred inflows	131,420	131,420
Cost shared infrastructure acquired with issuance of payable	(1,041,197)	(1,582,692)

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of R & T 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.

Nature of operations and history

R & T Water District provides a water system and water supply to the areas surrounding western North Dakota. Effective October 19, 1978, an association was created and established by a joint powers agreement between the cities of Ray and Tioga and the Williams County Water Management District. Effective February 15, 2012, the association was reorganized into a commerce authority in accordance with Chapter 11-37 of the North Dakota Century Code. Chapter 11-37 of the North Dakota Century Code has since been repealed and the entity is now organized as a water district. 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 cost of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

Reporting entity

Component units are legally separate organizations for which the District is financially accountable. 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 impose specific financial burdens on the District. Component units may also include organizations that are fiscally dependent on the District.

Based on the above criteria, the District has no component units included in its report.

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 modified cash basis of accounting. This basis recognizes assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the statements would be prepared on the accrual basis of accounting.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 sales, bulk sales, hookups, and WAWSA operating reimbursements are reported as operating revenue. Interest income is reported as nonoperating revenue. All expenses related to operating the District are reported as operating expenses. Interest expense and financing cost are reported as nonoperating.

Cash and cash equivalents

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for certificates of deposits which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal, and reserve funds which are considered noncash equivalents regardless of the maturity terms.

Restricted cash and cash equivalents

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

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.

Beneficial interest in trust

The District is the beneficiary of a trust, which derives the majority of its income from oil royalties. The District's interest in the trust is recorded at cost in accordance with the modified cash basis of accounting.

Receivable from Western Area Water Supply Authority

The District transacts under a service concession arrangement with Western Area Water Supply Authority (WAWSA). Under this arrangement, WAWSA is required to reimburse R&T Water Supply District for their outstanding principal payments on their debt. This receivable represents the present value of the principal payment reimbursements required by WAWSA.

Receivable from Members

The District transacts under a service concession arrangement with the member entities of WAWSA. Under this arrangement, the members are required to reimburse R & T Water District for their outstanding principal payments on their debt. This receivable represents the present value of the principal payment reimbursements required by the members.

Cost shared infrastructure

Cost shared infrastructure is capitalized at contract cost. A portion of the cost is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis, over the estimated useful life of the infrastructure, which ranges from 20 to 30 years.

Capital assets

Capital assets are recorded at historical costs 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. The District established a capitalization threshold of $5,000. 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:

Buildings and Infrastructure	15 to 40 years
Equipment and Vehicles	5 to 20 years

Customer deposits

Customer deposits represents a payment from the District's customers for water hookup services. The District will recognize this revenue once the customer hookup process is completed.

Pensions

For purposes of measuring pension expense, information about 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 on the modified cash basis of accounting. Investments are reported at fair value.

Other Post Employment Benefits (OPEB)

For purposes of measuring 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 on the modified cash basis of accounting. Investments are reported at fair value.

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 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.

Net position flow assumption

Sometimes, the government will fund capital outlays for particular purposes 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Deferred Inflows of Resources - WAWSA represents a reimbursement from WAWSA for capital expenditures and debt principal payments. The District transacts under a service concession arrangement with Western Area Water Supply Authority (WAWSA). This deferred inflow of resources, under GASB 60 - Service Concession Arrangements guidance, is to be amortized over the life of the agreement with WAWSA, which is 99 years. Refer to Note 9 for a full description of the relationship between the entities. Deferred Inflows of Resources – Members represents the portion of the bond payable taken out in the District’s name for cost shared infrastructure that will be reimbursed by the member entities.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset 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

The District maintains cash deposits at various financial institutions. The amounts on deposit were insured by the FDIC/NCUA up to $250,000 per financial institution. At December 31, 2022, the District had approximately $6,576,000 in excess of the FDIC/NCUA limit on deposit. The entire amount in excess of the FDIC/NCUA depository insurance was covered by pledged securities at December 31, 2022.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022 and 2021:

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Capital assets, not being depreciated				
Land	$ 380,254	$ -	$ -	$ 380,254
Construction in progress	81,250	26,126	66,351	41,025
Total capital assets, not being depreciated	461,504	26,126	66,351	421,279
Capital assets being depreciated				
Buildings and infrastructure	24,477,255	-	-	24,477,255
Machinery and vehicles	218,237	68,132	56,904	229,465
Equipment	138,475	10,072	27,338	121,209
Total capital assets being depreciated	24,833,967	78,204	84,242	24,827,929
Less accumulated depreciation				
Buildings and infrastructure	9,735,558	833,984	-	10,569,542
Machinery and vehicles	50,744	21,450	9,608	62,586
Equipment	89,020	11,509	25,519	75,010
Total accumulated depreciation	9,875,322	866,943	35,127	10,707,138
Total capital assets being depreciated, net	14,958,645	(788,739)	49,115	14,120,791
Net capital assets	$ 15,420,149	$ (762,613)	$ 115,466	$ 14,542,070

	Balance 1/1/21	Additions	Disposals	Balance 12/31/21
Capital assets, not being depreciated				
Land	$ 380,254	$ -	$ -	$ 380,254
Construction in progress	-	81,250	-	81,250
Total capital assets, not being depreciated	380,254	81,250	-	461,504
Capital assets being depreciated				
Buildings and infrastructure	24,461,141	83,114	67,000	24,477,255
Machinery and vehicles	170,631	97,008	49,402	218,237
Equipment	129,322	9,153	-	138,475
Total capital assets being depreciated	24,761,094	189,275	116,402	24,833,967
Less accumulated depreciation				
Buildings and infrastructure	8,918,096	836,437	18,975	9,735,558
Machinery and vehicles	35,295	20,801	5,352	50,744
Equipment	77,497	11,523	-	89,020
Total accumulated depreciation	9,030,888	868,761	24,327	9,875,322
Total capital assets being depreciated, net	15,730,206	(679,486)	92,075	14,958,645
Net capital assets	$ 16,110,460	$ (598,236)	$ 92,075	$ 15,420,149

Depreciation expense was $1,035,837 and $1,037,656, respectively, for the years ended December 31, 2022 and 2021, which includes $866,943 and $868,762 from capital assets for the years ended December 31, 2022 and 2021, respectively and $168,894 from cost shared infrastructure for the years ended December 31, 2022 and 2021. See Note 10 for details on cost shared infrastructure.

NOTE 4 LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance 1/1/22	Increases	Decreases	Balance 12/31/22	Due Within One Year
Revenue Bonds 2008	$ 235,000	$ -	$ 30,000	$ 205,000	$ 30,000
2012 SRF Bonds	4,885,000	-	400,000	4,485,000	410,000
2017 SRF Bonds	4,025,000	-	125,000	3,900,000	130,000
	$ 9,145,000	$ -	$ 555,000	$ 8,590,000	$ 570,000

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21	Due Within One Year
Revenue Bonds 2008	$ 265,000	$ -	$ 30,000	$ 235,000	$ 30,000
2012 SRF Bonds	5,275,000	-	390,000	4,885,000	400,000
2017 SRF Bonds	4,150,000	-	125,000	4,025,000	125,000
	$ 9,690,000	$ -	$ 545,000	$ 9,145,000	$ 555,000

Outstanding liabilities at December 31, 2022 and 2021 consisted of the following:

Revenue Bonds 2008: The District issued revenue bonds of 2008 whereby the District pledges income derived from the acquired or constructed assets to pay debt service. These bonds were in the amount of $1,452,760. 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 3.0% and will mature on September 1, 2028.

2012 SRF Bonds: The District issued SRF bonds of 2012 whereby the District pledges income derived from the acquired or constructed assets to pay debt service. These bonds were issued in the amount of $9,349,789. 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 2.5% and will mature on September 1, 2032.

2017 SRF Bonds: The District issued SRF bonds of 2017 whereby the District pledges income derived from the acquired or constructed assets to pay debt service. These bonds were issued in the amount of $5,000,000 of which $4,750,000 was drawn down as of December 31, 2017 and another $250,000 was drawn down as of December 31, 2018. 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 2.0% and will mature on September 1, 2046.

The future required payments on long-term debt including interest are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	570,000	$ 153,325	$ 723,325
2024	585,000	142,425	727,425
2025	600,000	131,200	731,200
2026	610,000	119,700	729,700
2027	625,000	108,000	733,000
2028 - 2032	3,105,000	360,000	3,465,000
2033 - 2037	810,000	163,350	973,350
2038 - 2042	895,000	100,125	995,125
2043 - 2046	790,000	30,000	820,000
	$ 8,590,000	$ 1,308,125	$ 9,898,125

NOTE 5 RISK MANAGEMENT

The R & T Water District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, 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, automobile and equipment insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile; and $46,213 for equipment.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding 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 estimating 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 $1,000,000 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 has worker’s compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

NOTE 6 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7.00% 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

At December 31, 2022, if R & T Water District were to report on the full accrual basis, a liability of $1,384,506 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At December 31, 2022, the District's proportion was 0.048072 percent, which was a decrease of 0.003113 percent from its proportion measured as of December 31, 2021. The net pension liability along with the related deferred inflows or outflows of resources are not reported on the District's financial statements as they are reporting on the modified cash basis.

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

Discount rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.69%, and the resulting Single Discount Rate is 5.10%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	**Current Discount Rate (5.10%)**	**1% Increase (6.10%)**
Employer's proportionate share of the net pension liability	$1,827,452	$1,384,506	$1,020,862

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 the Executive Director - NDPERS; P.O. Box 1657; Bismarck, ND 58502-1657.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

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 will 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 Liability

At December 31, 2022, if the District were to report on the full accrual basis, a liability of $47,561, for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of July 1, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At December 31, 2022, the District's proportion was 0.039624 percent, which was an increase of 0.002504 percent from its proportion measured as of December 31, 2021. The net OPEB liability along with the related deferred inflows or outflows of resources are not reported on the District's financial statements as they are on the modified cash basis.

Actuarial assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad U.S. Equity	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

Discount rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Employer's proportionate share of the net OPEB liability	$60,709	$47,561	$36,524

NOTE 8 COMMITMENTS

Water supply contract—The District has entered into a water supply contract with the Cities of Tioga, Ray, Ross, Stanley, and Wildrose, whereby the District supplies water at a rate agreed upon by both parties based on the terms in the contract.

NOTE 9 JOINTLY GOVERNED ORGANIZATIONS

WAWSA was formed to own, finance, construct, and operate the Western Area Water Supply Project. The project is a comprehensive water supply project largely utilizing the Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or part of McKenzie, Williams, Divide, Burke, and Mountrail counties. The project is financed by a series of loans issued by the State of North Dakota. The District holds two of ten seats on the board of WAWSA.

During 2012, R&T Water Supply District entered into the following agreements with WAWSA:

Infrastructure Operating Agreement: Under this agreement, the District will be responsible for all repairs and maintenance of infrastructure owned by WAWSA as identified in the agreement. The District may also make approved capital expenditures with respect to the WAWSA infrastructure in accordance with an approved budget. The District will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, programs and other operational matters. Under the agreement, the District is entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. WAWSA will bear the risk of loss to the infrastructure. The agreement is in effect until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

Access and Use Agreement: This agreement sets forth the terms and conditions on which the Member will permit WAWSA to access and use identified infrastructure owned by R & T Water District. This includes infrastructure identified under sub-agreements with the cities of Ray, Stanley, and Tioga. The District will be responsible for all repairs and maintenance of the access infrastructure identified in the agreement. The District will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, ensuring compliance with applicable legal requirements, budgeting and accounting procedures, programs and other operational matters. The District retains ownership of the infrastructure unless a purchase option is exercised. As consideration of this agreement, WAWSA will make payments equal to the amount of debt service requirements on the District's water revenue bonds. The District is also entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. The District bears the risk of loss to the infrastructure. The term of the agreement continues until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

Water Supply Agreement: Under this agreement, R & T Water District commits to purchasing water from WAWSA. Subject to a minimum monthly quantity, peak instantaneous flow, and minimum pressure limitation set forth in the agreement, WAWSA agrees to provide, pump, transmit and deliver treated water to the District. The District will pay for the water using an agreed-upon base rate plus supplemental rate as outlined in the agreement, which is subject to change. This agreement is not effective until WAWSA's water supply is connected at identified delivery points. The agreement remains in effect until all of WAWSA's debt is repaid.

R&T Output Agreement: This agreement sets forth the terms and conditions on which the District will sell to WAWSA the entire output of the plant. As consideration for the entire output of the treated water from the plant to WAWSA, WAWSA will make payments equal to the debt service paid by the District during the term, approved operation and maintenance costs, capital expenditure reimbursements, and baseline 2010 industrial water sales revenue. Effective March 15, 2018, the agreement was amended to remove the requirement for WAWSA to accrue baseline sales if they do not have sufficient free cash flows to make the payments. The amendment also discharges WAWSA requirement to pay past accrued amounts.

As part of the above agreements, all industrial water sales will be for the benefit of WAWSA. The District will be reimbursed an amount as outlined in the agreements based on their 2010 industrial water sales revenue.

Under the above agreements, R & T Water District received as follows:

	2022	2021
Sales of water to WAWSA	$ 119,015	$ 30,015
Principal debt payment reimbursement	429,167	419,167
Interest and administrative fees	130,271	140,475
Operations and maintenance reimbursement	1,043,657	1,100,975
Water purchases from WAWSA	(1,271,913)	(1,295,838)
	$ 450,197	$ 394,794

The deferred inflow of resources from WAWSA consists of the following items for the years ended December 31, 2022 and 2021:

	2022	2021
Debt reimbursement receivable as of December 31	$ 4,704,632	$ 5,133,799
Accumulated principal debt payment reimbursements	3,860,991	3,431,824
Accumulated capital expenditure reimbursements	3,691,277	3,691,277
Accumulated amortization	(1,145,527)	(1,020,680)
Deferred inflow of resources from WAWSA	$ 11,111,373	$ 11,236,220

NOTE 10 COST SHARED INFRASTRUCTURE

During the year ended December 31, 2016, the District entered into an agreement with Western Area Water Supply Authority and its member entities to facilitate the development of water distribution infrastructure within the District's borders. Under the agreement, the District agreed to re-pay a portion (21.148%) of the capital invested ($20,000,000) in the infrastructure over 20 to 30 years which is split between three loans. In exchange, the District has the right to use the infrastructure installed over the period of the loans. The repayment of the three loans is shared between the Members. One of those loans is in R & T Water District's name. According to the agreement, the assets purchased with the $5,000,000 loan in R & T Water District's name are owned by the District until the loan is paid off.

As a result, upon entering into the agreement, the District recognized an intangible right of use asset and an offsetting liability on cost shared infrastructure for their portion (21.148%) of the $15,000,000 of assets and loans that are not in the District's name. The District's responsibility for this balance is $3,172,200. The District's remaining liability under this agreement was $2,226,638 and $2,356,368 as of December 31, 2022 and 2021, respectively.

The District recorded a capital asset and offsetting note payable for the loan that was taken out in their name (see Note 4, 2017 SRF Bonds). The capital asset balance is $5,000,000, which is the original balance of the loan. The District has also recorded deferred inflow of resources which represents the portion of the capital assets that the Members will reimburse the District for (78.852%). The District's responsibility for this balance is $1,057,400.

In December 2018, the District entered into an agreement with Western Area Water Supply Authority and its member entities to re-pay a portion (24.507%) of a $16,500,000 loan taken out in WAWSA’s name to facilitate the continuing development of water distribution infrastructure within the District’s borders. The District retains the right to use the infrastructure for the life of the loan which is 30 years. As of December 31, 2022, the loan was not fully funded. Loan advances under the loan amounted $14,168,381 leaving the District with a responsibility of $3,472,245 for this balance. In 2019, it was discovered that $1,817,730 was not able to be added to the WAWSA loan. However, the liability is still the responsibility of the members. The District’s responsibility for this balance is $491,585. The District’s remaining liability under this agreement was $3,258,388 and $3,247,989 as of December 31, 2022 and 2021, respectively.

In August 2020, the District entered into an agreement with Western Area Water Supply Authority and its member entities to re-pay a portion (36.818%) of a $16,500,000 loan taken out in WAWSA's name to facilitate the continuing development of water distribution infrastructure within the District's borders. The District retains the right to use the infrastructure for the life of the loan which is 30 years. As of December 31, 2022, the loan was not fully funded. Loan advances under the loan amounted $7,503,139 leaving the District with a responsibility of $2,762,506 for this balance. The District’s remaining liability under this agreement was $2,613,393 and $1,935,405 as of December 31, 2022 and 2021, respectively.

Details on the cost shared infrastructure asset are as follows for the year ended December 31, 2022 and 2021:

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Cost shared infrastructure being depreciated	$ 5,000,000	$ -	$ -	$ 5,000,000
Less accumulated depreciation	862,093	168,893	-	1,030,986
Total cost shared infrastructure being depreciated, net	4,137,907	(168,893)	-	3,969,014
Cost shared infrastructure being amortized	8,857,340	1,041,196	-	9,898,536
Less accumulated amortization	1,373,922	413,011	-	1,786,933
Total cost shared infrastructure being amortized, net	7,483,418	628,185	-	8,111,603
Net cost shared infrastructure	$ 11,621,325	$ 459,292	$ -	$ 12,080,617

Depreciation and amortization on cost shared infrastructure for the year ended December 31, 2022 were $168,893 and $413,011, respectively.

	Balance 1/1/21	Additions	Disposals	Balance 12/31/21
Cost shared infrastructure being depreciated	$ 5,000,000	$ -	$ -	$ 5,000,000
Less accumulated depreciation	693,199	168,894	-	862,093
Total cost shared infrastructure being depreciated, net	4,306,801	(168,894)	-	4,137,907
Cost shared infrastructure being amortized	7,274,648	1,582,692	-	8,857,340
Less accumulated amortization	960,911	413,011	-	1,373,922
Total cost shared infrastructure being amortized, net	6,313,737	1,169,681	-	7,483,418
Net cost shared infrastructure	$ 10,620,538	$ 1,000,787	$ -	$ 11,621,325

Depreciation and amortization on cost shared infrastructure for the year ended December 31, 2021 were $168,894 and $413,011, respectively.

The liability on the cost shared infrastructure is being repaid over 20 to 30 years at an interest rate of 1.50%. The liability requires varying monthly payments maturing January 2036 to September 2046. Expected future payments are as follows:

Year ending December 31,	
2023	$ 491,290
2024	499,007
2025	407,646
2026	415,410
2027	423,031
2028-2032	2,234,761
2033-2037	2,075,386
2038-2042	945,316
2043-2047	606,572
	$ 8,098,419

The deferred inflow of resources from Members consists of the following items for the years ended December 31, 2022 and 2021:

	2022	2021
Debt reimbursement receivable as of December 31	$ 3,215,229	$ 3,316,159
Accumulated principal debt payment reimbursements	1,100,000	975,000
Accumulated R&T portion of interest reimbursements	88,943	71,390
Total payments made to WAWSA	(461,572)	(419,949)
Accumulated amortization	(788,520)	(657,100)
Deferred inflow of resources from Members	$ 3,154,080	$ 3,285,500

NOTE 11 NEW ACCOUNTING 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.
- 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.

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.

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.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District’s year end. Subsequent events have been evaluated through June 16, 2023, which is the date these financial statements were available to be issued.

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
R & T Water District
Ray, 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 modified cash basis financial statements of the business-type activities of R & T Water District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise R & T Water District's basic financial statements and have issued our report thereon dated June 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered R & T 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 R & T Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of R & T 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be 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 responses as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether R & T Water District's modified cash 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 determination of 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*.

R & T Water District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on R & T Water District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. R & T 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

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

June 16, 2023

Section II. Findings Relating to Financial Statements

2022-001 *Significant Adjusting 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 on the modified cash basis of accounting.
Condition:	During our audits, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the modified cash basis of accounting. The District is required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.
Context:	Accounts related to property, depreciation, receivables, deferred inflows of resources, and notes payable are adjusted throughout the financial statement preparation process.
Cause:	The District has a limited number of staff available to determine the proper balance of each general ledger account prior to the start of the audit.
Effect:	The District does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.
Recommendation:	In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this material control deficiency at this time.
Indication of repeat finding:	This is a repeat finding.

2022-002 *Financial Statement Preparation - Material Weakness*

Criteria:	An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.
Condition/Context:	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.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this material control deficiency at this time.
Indication of repeat finding:	This is a repeat finding.

2022-003 *Segregation of Duties - Significant Deficiency*

Criteria:	Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.
Condition/Context:	The District has one person responsible for most accounting functions.
Cause:	The District has a limited number of staff available due to the size of the organization.
Effect:	Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's billings, receive and post customers payments, and reconcile the District's bank accounts.
Recommendation:	While the District does have some monitoring controls in place, we recommend that the District review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this significant control deficiency at this time.
Indication of repeat finding:	This is a repeat finding.