

**SOURIS RIVER JOINT WATER RESOURCE BOARD
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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SOURIS RIVER JOINT WATER RESOURCE BOARD
BOARD OF DIRECTORS
DECEMBER 31, 2022, 2021 AND 2020

<u>Name</u>	<u>County/City</u>
David Ashley	McHenry County
Dan Steinberger	Renville County
Tom Klein	Ward County
Clif Issendorf	Bottineau County
Dan Jonasson	City of Minot

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Souris River Joint Water Resource Board
Minot, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Souris River Joint Water Resource Board as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Souris River Joint Water Resource Board'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 governmental activities and each major fund of the Souris River Joint Water Resource Board, as of December 31, 2022, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis as described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Souris River Joint Water Resource Board 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.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 6 to the financial statements, information about ownership of the infrastructure relating to the Mouse River Enhancement Flood Protection Project was discovered. Prior to this information, no expenses relating to this project were capitalized as capital assets. Accordingly, a prior period adjustment was made to capital assets, accumulated depreciation and net position as of January 1, 2020, to correct the error.

Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with modified cash basis of accounting, 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 the Souris River Joint Water Resource Board's ability to continue as a going concern for twelve months beyond Souris River Joint Water Resource Board 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 the Souris River Joint Water Resource Board'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 the Souris River Joint Water Resource Board'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.

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 that matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Souris River Joint Water Resource Board's basic financial statements. The accompanying 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 January 23, 2024 on our consideration of the Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board's internal control over financial reporting and compliance.



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

January 23, 2024

SOURIS RIVER JOINT WATER RESOURCE BOARD**STATEMENT OF NET POSITION
DECEMBER 31, 2022, 2021 AND 2020**

	2020	2021	2022
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,284,929	\$ 4,377,943	\$ -
Noncurrent assets:			
Capital credits	188	188	188
Capital assets, net	<u>128,738,548</u>	<u>150,663,877</u>	<u>188,375,229</u>
Total assets	<u>130,023,665</u>	<u>155,042,008</u>	<u>188,375,417</u>
LIABILITIES			
Current liabilities:			
Bank overdraft	<u>-</u>	<u>-</u>	<u>486,387</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>486,387</u>
NET POSITION			
Net investment in capital assets	128,738,548	150,663,877	188,375,229
Unrestricted	<u>1,285,117</u>	<u>4,378,131</u>	<u>(486,199)</u>
Total net position	<u>\$ 130,023,665</u>	<u>\$ 155,042,008</u>	<u>\$ 187,889,030</u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

2020				Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Program Revenues		Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Mouse River project	\$ 4,882,758	\$ 100,000	\$ 29,088,739	\$ 24,305,981
Total governmental activities	<u>\$ 4,882,758</u>	<u>\$ 100,000</u>	<u>\$ 29,088,739</u>	24,305,981
General Revenues:				
Property taxes, levied for general purposes				686,176
Property sales				18,708
Other income				2,777
Total general revenues				<u>707,661</u>
Change in net position				25,013,642
Net Position - January 1, 2020, as previously stated				1,278,931
Prior period adjustment, Note 6				<u>103,731,092</u>
Net Position - January 1, 2020, as restated				<u>105,010,023</u>
Net Position - December 31, 2020				<u>\$ 130,023,665</u>

2021				Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Program Revenues		Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Mouse River project	\$ 4,101,570	\$ 50,000	\$ 28,343,647	\$ 24,292,077
Total governmental activities	<u>\$ 4,101,570</u>	<u>\$ 50,000</u>	<u>\$ 28,343,647</u>	24,292,077
General Revenues:				
Property taxes, levied for general purposes				702,071
Property sales				18,001
Other income				6,194
Total general revenues				<u>726,266</u>
Change in net position				25,018,343
Net Position - January 1, 2021				<u>130,023,665</u>
Net Position - December 31, 2021				<u>\$ 155,042,008</u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020 – CONTINUED

2022		Program Revenues		Net (Expenses) Revenue and Changes in Net Position
Function / Program	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
Mouse River project	\$ 4,136,826	\$ 57,684	\$ 36,231,910	\$ 32,152,768
Total governmental activities	<u>\$ 4,136,826</u>	<u>\$ 57,684</u>	<u>\$ 36,231,910</u>	32,152,768
		<u>General Revenues:</u>		
		Property taxes, levied for general purposes		694,254
		Total general revenues		<u>694,254</u>
		Change in net position		32,847,022
		Net Position - January 1, 2022		<u>155,042,008</u>
		Net Position - December 31, 2022		<u>\$ 187,889,030</u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022, 2021 AND 2020

	<u>2020</u>	<u>2021</u>	<u>2022</u>
ASSETS	<u>General</u>	<u>General</u>	<u>General</u>
Cash and cash equivalents	\$ 1,284,929	\$ 4,377,943	\$ -
Capital Credits	<u>188</u>	<u>188</u>	<u>188</u>
Total assets	<u><u>\$ 1,285,117</u></u>	<u><u>\$ 4,378,131</u></u>	<u><u>\$ 188</u></u>
LIABILITIES			
Bank overdraft	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,387</u>
FUND BALANCES			
Unassigned	<u>1,285,117</u>	<u>4,378,131</u>	<u>(486,199)</u>
Total liabilities and fund balances	<u><u>\$ 1,285,117</u></u>	<u><u>\$ 4,378,131</u></u>	<u><u>\$ 188</u></u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITON
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Governmental Funds Balance	\$ 1,285,117	\$ 4,378,131	\$ (486,199)
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:			
Cost of capital assets	129,767,357	153,764,209	194,838,259
Less accumulated depreciation	<u>(1,028,809)</u>	<u>(3,100,332)</u>	<u>(6,463,030)</u>
Net capital assets	<u>128,738,548</u>	<u>150,663,877</u>	<u>188,375,229</u>
Net Position of Governmental Activities	<u><u>\$ 130,023,665</u></u>	<u><u>\$ 155,042,008</u></u>	<u><u>\$ 187,889,030</u></u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	2020	2021	2022
	General Fund	General Fund	General Fund
REVENUES			
Government cost sharing grants	\$ 29,088,739	\$ 28,343,647	\$ 36,231,910
Government grants	100,000	50,000	57,684
Property taxes	686,176	702,071	694,254
Property sales	18,708	18,001	-
Other income	2,777	6,194	-
Total revenues	<u>29,896,400</u>	<u>29,119,913</u>	<u>36,983,848</u>
EXPENDITURES			
Administration expense	275,257	325,083	297,965
Insurance	19,628	20,879	15,587
Dues and subscriptions	6,175	7,250	7,250
Local project expenses	35,769	54,154	21,715
MREFPP expenses	3,641,471	1,571,886	276,552
Legal	4,000	8,000	7,500
Professional fees	59,367	39,911	98,414
Telephone	1,566	2,705	2,726
Repairs and maintenance	46,499	-	46,400
Other expenses	980	179	19
Capital outlay	<u>25,799,502</u>	<u>23,996,852</u>	<u>41,074,050</u>
Total expenditures	<u>29,890,214</u>	<u>26,026,899</u>	<u>41,848,178</u>
Net change in fund balance	6,186	3,093,014	(4,864,330)
Fund balance - January 1	<u>1,278,931</u>	<u>1,285,117</u>	<u>4,378,131</u>
Fund balance - December 31	<u><u>\$ 1,285,117</u></u>	<u><u>\$ 4,378,131</u></u>	<u><u>\$ (486,199)</u></u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net changes in fund balances - Governmental Funds	\$ 6,186	\$ 3,093,014	\$ (4,864,330)
The change in net position reported for governmental activities in the statement of activities is different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Net Position, the cost of those assets are included in the capital asset balance. In the current period, the amount of capital expenditures are:	25,799,502	23,996,852	41,074,050
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is:	<u>(792,046)</u>	<u>(2,071,523)</u>	<u>(3,362,698)</u>
Change in net position of governmental activities	<u>\$ 25,013,642</u>	<u>\$ 25,018,343</u>	<u>\$ 32,847,022</u>

See Notes to the Financial Statements

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and history

Souris River Joint Water Resource Board (the Board) was established to oversee activities related to the Mouse/Souris River in North Dakota. The Board is made up of one representative from four counties, Renville, Ward, McHenry, and Bottineau and one representative from the City of Minot.

The Board oversees that the Mouse River Enhanced Flood Protection Project (MREFPP). The MREFPP is designed to provide flood relief to Mouse River valley residents – both urban and rural. The project was originally initiated by the North Dakota State Water Commission (NDSWC) in response to a request for assistance from the Souris River Joint Board (SRJB) following the record-breaking Mouse River flood of June 2011.

Reporting entity

The accompanying financial statements present the activities of the Souris River Joint Water Resource Board. The Board has considered all potential component units for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board 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 Board.

Based on these criteria, there are no component units to be included within the Board as a reporting entity.

Basis of accounting

Government-wide statements:

The statements of net position – modified cash basis and the statements of activities – modified cash basis display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements describe the *governmental activities* of the Board. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statements of activities – modified cash basis presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

Fund Financial Statements: The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds.

The Board reports the following major governmental funds:

General Fund: This is the Board's primary operating fund. It accounts for all financial resources of the general government.

Measurement focus, basis of accounting, and financial statement presentation

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when they are paid. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized when they are received. In addition, capital assets are recorded at cost.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when received. Expenditures are recorded when payment is made. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as nonoperating receipts.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Fund description

The Board accounts for all financial transactions in its general fund. The general fund is the government's primary operating fund and accounts for all financial resources of the general government.

Cash and cash equivalents

The Board considers current on hand, checking accounts, money market accounts and savings accounts as cash and cash equivalents.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

Capital assets

Capital assets include all buildings, equipment, and vehicles of the Board. Capital assets which are used for general governmental purposes are not available for expenditure, are accounted for and reported in the government-wide financial statements. Donated capital assets are recorded at estimated acquisition value. Depreciation is calculated over the estimated useful lives of the capital assets using the methods as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Infrastructure	Straight-line	40 years
Equipment	Straight-line	5 years

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized but shown in the financial statements as repairs and maintenance expense.

Fund balance classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board's Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Board's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

The Board does not have a minimum fund balance policy.

Net position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the Board. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Revenues and expenditures

In the government-wide statement of activities, revenues and expenses are segregated by function for governmental activities. Additionally, revenues are classified between program and general revenues. Program revenues include charges to operating grants and contributions and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include property taxes, property sales and other income.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Capital Outlay," or "Debt Service". Current expenditures are sub-classified by function.

Capital outlay includes expenditures for capital assets.

Debt service includes both interest and principal outlays related to bonds and loans.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 disbursements during the reporting period. Actual results could differ from those estimates.

NOTE 2 CUSTODIAL CREDIT RISK

In accordance with North Dakota Statutes, the Board maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

The Board maintains cash on deposit at multiple financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per institution. As of December 31, 2022, 2021 and 2020 all of the Board's cash balances were either covered by FDIC insurance or collateral held in the Board's name.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	Balance (Restated) 12/31/2019	Additions	Disposals	Balance 12/31/2020
Capital assets being depreciated:				
Infrastructure - MREFPP	\$ 103,967,855	\$ 25,790,562	\$ -	\$ 129,758,417
Equipment	-	8,940	-	8,940
Total	<u>103,967,855</u>	<u>25,799,502</u>	<u>-</u>	<u>129,767,357</u>
Less accumulated depreciation for:				
Infrastructure - MREFPP	(236,763)	(791,152)	-	(1,027,915)
Equipment	-	(894)	-	(894)
Total accumulated depreciation	<u>(236,763)</u>	<u>(792,046)</u>	<u>-</u>	<u>(1,028,809)</u>
Capital assets, net	<u>\$ 103,731,092</u>	<u>\$ 25,007,456</u>	<u>\$ -</u>	<u>\$ 128,738,548</u>

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

	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
Capital assets not being depreciated:				
Land	\$ -	\$ 370,110	\$ -	\$ 370,110
Capital assets being depreciated:				
Infrastructure - MREFPP	129,758,417	23,626,742	-	153,385,159
Equipment	8,940	-	-	8,940
Total	<u>129,767,357</u>	<u>23,626,742</u>	<u>-</u>	<u>153,394,099</u>
Less accumulated depreciation for:				
Infrastructure - MREFPP	(1,027,915)	(2,069,735)	-	(3,097,650)
Equipment	(894)	(1,788)	-	(2,682)
Total accumulated depreciation	<u>(1,028,809)</u>	<u>(2,071,523)</u>	<u>-</u>	<u>(3,100,332)</u>
Capital assets, net	<u>\$ 128,738,548</u>	<u>\$ 21,925,329</u>	<u>\$ -</u>	<u>\$ 150,663,877</u>

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

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

	Balance 12/31/2021	Additions	Disposals	Balance 12/31/2022
Capital assets not being depreciated:				
Land	\$ 370,110	\$ 85,810	\$ -	\$ 455,920
Capital assets being depreciated:				
Infrastructure - MREFPP	153,385,159	40,988,240	-	194,373,399
Equipment	8,940	-	-	8,940
Total	<u>153,394,099</u>	<u>40,988,240</u>	<u>-</u>	<u>194,382,339</u>
Less accumulated depreciation for:				
Infrastructure - MREFPP	(3,097,650)	(3,360,910)	-	(6,458,560)
Equipment	(2,682)	(1,788)	-	(4,470)
Total accumulated depreciation	<u>(3,100,332)</u>	<u>(3,362,698)</u>	<u>-</u>	<u>(6,463,030)</u>
Capital assets, net	<u>\$ 150,663,877</u>	<u>\$ 37,711,352</u>	<u>\$ -</u>	<u>\$ 188,375,229</u>

Non-depreciated construction work in progress included in infrastructure cost for the years ended December 31, 2022, 2021 and 2020 totaled \$47,811,104, \$22,790,749 and \$62,715,797, respectively.

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 totaled \$3,362,698, \$2,071,523 and \$792,046, respectively and was charged to Mouse River project on the statements of activities.

NOTE 4 RELATED PARTY TRANSACTIONS

During the years end December 31, 2022, 2021 and 2020 the Board received \$40,000 each year, from Renville County, \$654,254, \$662,071 and \$646,176, respectively, from Ward County, and \$14,378,648, \$8,753,780 and \$9,957,534, respectively, from the City of Minot. The parties are all related to the Board through representation on the Board of Directors.

NOTE 5 ECONOMIC DEPENDENCY

The Board receives a substantial amount of its support from two primary sources. A significant reduction in the level of support, if this were to occur, may have a material effect on the Board's program, and therefore, on its continued operations.

NOTE 5 COMMITMENTS

As of December 31, 2022, the Board had approximately \$68,644,000 in outstanding projects for which there were signed contracts in progress at year end.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

NOTE 6 PRIOR PERIOD ADJUSTMENT

When the MREFPP started the Board believed that they would not have ownership of the infrastructure being built. As such, no project costs were capitalized in the prior years. It was determined through further investigation and communication with the City of Minot, the Board does have ownership of these projects and infrastructure. Adjustments were made to capitalize the costs of these projects and record accumulated depreciation. As of January 1, 2020, \$103,967,855 in project cost were capitalized and \$236,763 was recorded as accumulated depreciation. This led to an increase in net position of \$103,731,092.

NOTE 7 RISK MANAGEMENT

The Souris River Joint Water Resource Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the State and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the State and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. The Board pays an annual premium to NDIRF for its personal injury and property damage liability, governance liability, and auto insurance coverage.

The Board does not retain any level of risk. There have been no significant changes in insurance coverage.

The Board continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident insurance.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 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.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

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.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

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.

SOURIS RIVER JOINT WATER RESOURCE BOARD
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022, 2021 AND 2020

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 Board's financial statements.

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

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through January 23, 2024, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<i>Federal Grantor/Pass-Through Grantor/Program</i>	<i>Identifying Pass-Through Grant Number</i>	<i>Federal Assistance Listing Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF DEFENSE			
<i>Passed through City of Minot</i>			
Community Investment	CIP1925-21-01	12.600	\$ 2,749,399
Total U.S. Department of Defense			2,749,399
<i>Total Expenditures of Federal Awards</i>			\$ 2,749,399

See Notes to the Schedule of Expenditures of Federal Awards

SOURIS RIVER JOINT WATER RESOURCE BOARD
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 accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditure in prior years.

NOTE 2 INDIRECT COST RATE

Souris River Joint Water Resource Board has not elected to use the 10% de minimis cost rate as allowed under Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The schedule includes the federal award activity of the Souris River Joint Water Resource Board, Inc. under programs of the federal government for the year ended December 31, 2022. The information 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 the Souris River Joint Water Resource Board, it is not intended to and does not present the financial position or change in net position of the Souris River Joint Water Resource Board.

NOTE 4 FEDERAL PORTION OF GOVERNMENT COST SHARE GRANT REVENUE

The board does not distinguish between federal and non-federal revenue on the statement of revenues, expenditures, and changes in fund balance – governmental funds. Revenue from multiple sources is consolidated for financial statement presentation. The calculation of federal amounts of funding per proper presentation in the Schedule of Expenditures of Feder Awards are as follows:

U.S. Department of Defense Grant, passed through City of Minot	\$ 2,749,399
Non-federal portions	33,482,511
Total government cost sharing grants	<u>\$ 36,231,910</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
Souris River Joint Water Resource Board
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 governmental activities, and each major fund of Souris River Joint Water Resource Board as of and for the year ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Souris River Joint Water Resource Board's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Souris River Joint Water Resource Board'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 significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Souris River Joint Water Resource Board'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*.

Souris River Joint Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Souris River Joint Water Resource Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Souris River Joint Water Resource Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

January 23, 2024

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
Souris River Joint Water Resource Board
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board's major federal programs for the year ended December 31, 2022. Souris River Joint Water Resource Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Souris River Joint Water Resource Board 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 Souris River Joint Water Resource Board 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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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 Souris River Joint Water Resource Board'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Souris River Joint Water Resource Board's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Souris River Joint Water Resource Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 a 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

January 23, 2024

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF FINDINGS AND QUESTIONS 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 deficiencies 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 deficiencies 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)? X yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.600	Community Investment

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

Auditee qualified as low-risk auditee? yes X no

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II. Findings Relating to Financial Statements

2022-001, 2021-001 and 2020-001 *Preparation of Financial Statements – Material Weakness*

Criteria: An appropriate system of internal control requires the Board to prepare financial statements in compliance with modified cash basis of accounting.

Condition/Context: The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board currently does not prepare financial statements, including accompanying note disclosures, as required by modified cash basis of accounting. The Board has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause: The Board elected to not allocate resources for the preparation of the financial statements.

Effect: There is an increased risk of material misstatement to the Board's financial statements.

Recommendation: We recommend the Board 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 Board should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Indication of repeat finding: This is a repeat finding. See prior year finding 2019-001.

View of responsible officials and corrective actions: We agree with this finding. Due to the small size of the Board, it is not cost effective for the Board to properly address this material control deficiency at this time.

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

2022-002, 2021-002 and 2020-002 *Propositions of Journal Entries – Material Weakness*

Criteria:	The Board 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 modified cash basis of accounting.
Condition/Context:	During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with modified cash basis of accounting.
Cause:	The organization'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 modified cash basis of accounting.
Effect:	The Board'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 in each general ledger account prior to the audit.
Indication of repeat finding:	This is not a repeat finding.
View of responsible officials and corrective actions:	The Board will review the accounting functions and will strive to improve in areas that are economically feasible.

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

2022-003, 2021-003 and 2020-003 *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 billing and collection functions of the Board do not provide for an adequate segregation of duties.

Cause: The Board 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 enter receipts, prepare and post payments, and reconcile the Board's bank accounts.

Recommendation: While the Board does have some monitoring controls in place, we recommend that the Board review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.

Indication of repeat finding: This is a repeat finding. See prior year finding 2019-002.

View of responsible officials and corrective actions: The Board will review the accounting functions and will strive to improve in areas that are economically feasible.

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Section III. Federal Award Findings and Questioned Costs

2022-004 *Data Collection Form Filing – Uniform Guidance Compliance Finding*

Criteria:	The Board is required file a data collection form to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period.
Condition/Context:	The Board failed to file the data collection form for the period ending December 31, 2022 within the prescribed timeframe set forth by the Office of Management and budget.
Cause:	Management failed to oversee the timely filing of the data collection form.
Effect:	The Board filed the data collection form after the required deadline, as such they cannot be considered a low risk auditee for the years ended December 31, 2023 and 2024.
Recommendation:	We recommend that the Board keeps track of all necessary filing and deadlines to ensure timely filings.
Indication of repeat finding:	This is not a repeat finding.
View of responsible officials and corrective actions:	The Board agrees with this finding. See corrective action plan item 2022-004.

SOURIS RIVER JOINT WATER RESOURCE BOARD
SCHEDULE OF PRIOR YEARS FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section IV. Prior Year Findings Relating to Financial Statements

2019-001 *Preparation of Financial Statements – Material Weakness*

Criteria: An appropriate system of internal control requires the Authority to prepare financial statements in compliance with modified cash basis of accounting.

Condition/Context: The Authority's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Authority currently does not prepare financial statements, including accompanying note disclosures, as required by modified cash basis of accounting. The Authority has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause: The Authority elected to not allocate resources for the preparation of the financial statements.

Effect: There is an increased risk of material misstatement to the Authority's financial statements.

Status: This is a repeat finding. See current year finding 2022-001, 2021-001 and 2020-001.

2019-002 *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 billing and collection functions of the Authority do not provide for an adequate segregation of duties.

Cause: The Authority 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 enter receipts, prepare and post payments, and reconcile the Authority's bank accounts.

3Status: This is a repeat finding. See current year finding 2022-003, 2021-001 and 2020-003.

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CORRECTIVE ACTION PLAN

Name of Auditee: Souris River Joint Water Resource Board

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

Audit Period: Year Ending December 31, 2022

2022-001, 2021-001 and 2020-001 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, 2021-002 and 2020-002 Proposition of Journal Entries – Material Weakness

- A. Prior Year Findings
- Not applicable – this is not a prior year finding.
- 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.

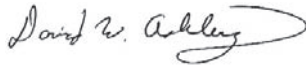
2022-003, 2021-003 and 2020-003 Segregation of Duties – Significant Deficiency

- 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.

2022-004 Data Collection Form Filing – Uniform Guidance Compliance Finding

- A. Prior Year Findings
- Not applicable – this is not a prior year finding.
- B. Comments on Findings and Recommendations
- We concur with the findings.
- C. Actions Taken or Planned
- Board will track all necessary filings and deadlines to ensure timely filings occur.

Signed,



David Ashley, Chairman
Souris River Joint Water Resource Board