SOUTHWEST WATER AUTHORITY
DICKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Southwest Water Authority

Opinion

We have audited the accompanying financial statements of the business-type activities of Southwest Water Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Southwest Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southwest Water Authority as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 and schedule of employer's share of net pension liability, schedule of employer's pension contributions, schedule of employer's share of net OPEB liability, schedule of employer's OPEB contributions and the related notes to the required supplementary information on pages 40-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southwest Water Authority's basic financial statements. The accompanying schedules of expenses and schedules of percentage change are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenses and the schedules of percentage change are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024 on our consideration of the Southwest Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southwest Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Water Authority's internal control over financial reporting and compliance.

Brady Martz

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

March 13, 2024

As management of the Southwest Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 2023, 2022, and 2021. It is a requirement of GASB Statement No. 34 to show one more year than the actual financials present. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and footnotes, which are presented within this report.

Financial Highlights

The assets of the Authority totaled $45,734,845 at year-end 2023 compared with $41,377,368 in 2022 and $43,009,768 for 2021. This is an increase of $4,357,477 between 2023 and 2022 and a decrease of $1,632,400 between 2022 and 2021. The liabilities totaled $8,043,897 for 2023 compared with $9,589,111 for 2022 and $5,180,945 for 2021. This is a decrease in liabilities of $1,545,214 between 2023 and 2022 and an increase of $4,408,166 between 2022 and 2021. The assets and deferred outflows exceeded liabilities and deferred inflows at the end of the year by $37,225,166 compared with $33,170,040 for 2022 and $35,666,429 for 2021. This is an increase in net position of $4,055,126 between 2023 and 2022, and a decrease in net position of $2,496,389 between 2022 and 2021.

Investments held at Bravera Wealth totaled $31,192,506 at year-end 2023 compared with $23,093,439 for 2022 and $27,964,921 for 2021. The market value of the Replacement and Extraordinary Maintenance Fund is $21,664,972 compared with $20,640,746 for year-end 2022 and $23,166,697 for year-end 2021. In 2023, reimbursements totaling $1,541,803 were used for extraordinary expenses approved by the Board and the State Water Commission. The North Dakota Legislature established the Replacement and Extraordinary Maintenance Fund when the Southwest Pipeline Project was authorized. This fund was created to cover costs of an extraordinary nature and/or to replace parts of an aging distribution system. It is funded by water customers system wide. The 2023 rate was $0.76 per 1,000 gallons sold to all customers. In addition, $0.11 per 1,000 gallons sold to rural customers for the rural distribution system was also collected. The rate is $4.00 per 1,000 gallons sold to oil industry customers, and $3.00 per 1,000 gallons sold to oil industry customers at the SWA Water Depot. The fees collected are deposited monthly into this fund.

Total cash on hand at year-end 2023 was $6,051,360 compared with $8,820,017 for 2022 and $7,417,153 for 2021. This is a decrease of $2,768,657 between 2023 and 2022 and an increase of $1,402,864 between 2022 and 2021. This total consists of checking and money market accounts.

Current liabilities total $2,681,086, mostly in the form of accounts payable and deferred revenue for projects currently in process. This compares with 2022 year-end balance of $2,606,600, and year-end balance of $2,200,449 for 2021. This is an increase of $74,486 between 2023 and 2022 and an increase of $406,151 between 2022 and 2021. Included in current liabilities are customer prepayments. These are overpayments applied to customer accounts. Total customer prepayments for year-end 2023 are $51,470, $47,455 for year-end 2022, and $50,726 for year-end 2021. Deferred revenue had a year-end balance of $799,875 for projects that are currently in process. This is an increase of $40,125 between 2023 and 2022 and an increase of $123,625 between 2022 and 2021. These are hookup fees paid by customers who sign up for water. When water becomes available, the hookup fees are recognized as revenue. If, however, Southwest Water Authority is unable to provide water for these individuals, the hookup fees will be refunded.

The long-term liabilities total $5,362,811 at year-end 2023, compared with $6,982,511 for 2022 and $2,980,496 for 2021. Of this amount, $4,898,532 is the net pension liability, compared to $6,595,266 at year-end 2022, and $2,656,428 for year-end 2021. The net OPEB liability is $214,765, compared to $233,069 for year-end 2022, and $124,076 for year-end 2021. Rental deposits from tenants/customers are also included in long-term liabilities. Rental deposits for year-end 2023 were $62,200 compared with $61,075 for 2022 and $60,450 for 2021.

In addition to assets, the statement of net position includes a separate section for deferred pension outflows and deferred OPEB outflows. This represents a consumption of net position concerning a future period(s) that will not be recognized as an outflow of resource (expense/expenditure) until then. Deferred pension outflows and deferred OPEB outflows represent actuarial differences within NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date. The deferred pension outflows totaled $3,537,993 for year-end 2023 compared with $4,354,572 for 2022, and $3,141,173 for 2021. This is a decrease of $816,579 between 2023 and 2022, and an increase of $1,213,399 between 2022 and 2021. The deferred Other Postemployment Benefits (OPEB) outflows totaled $88,263 for 2023, $107,506 for 2022, and $40,022 for 2021. This is a decrease of $19,243 between 2023 and 2022 and an increase of $67,484 between 2022 and 2021.

In addition to liabilities, the statement of net position includes a separate section for deferred pension inflows and deferred OPEB inflows. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of revenue until that time. Deferred pension inflows and deferred OPEB inflows represent actuarial differences within NDPERS pension and OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred pension inflows totaled $4,051,851 for year-end 2023 compared to $3,049,777 for 2022 and $5,277,074 for 2021. This is an increase of $1,002,074 between 2023 and 2022 and a decrease of $2,227,297 between 2022 and 2021. The deferred OPEB inflows totaled $40,187 for 2023, $30,518 for 2022 and $66,515 for 2021. This is an increase of $9,669 between 2023 and 2022 and a decrease of $35,997 between 2022 and 2021.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

	2023	2022	2021
ASSETS			
Unrestricted current assets	$ 19,271,839	$ 15,815,453	$ 14,735,311
Restricted noncurrent assets	21,752,766	20,721,058	23,250,702
Capital assets	4,710,240	4,840,857	5,023,755
Total Assets	45,734,845	41,377,368	43,009,768
DEFERRED OUTFLOWS			
Deferred Pension Outflows	3,537,993	4,354,572	3,141,173
Deferred OPEB Outflows	88,263	107,506	40,022
Total Outflows	3,626,256	4,462,078	3,181,195
LIABILITIES			
Current Liabilities	2,681,086	2,606,600	2,200,449
Long-term liabilities	5,362,811	6,982,511	2,980,496
Total liabilities	8,043,897	9,589,111	5,180,945
DEFERRED INFLOWS			
Deferred Pension Inflows	4,051,851	3,049,777	5,277,074
Deferred OPEB Inflows	40,187	30,518	66,515
Total Inflows	4,092,038	3,080,295	5,343,589
NET POSITION			
Net investment in capital assets	4,710,240	4,840,857	5,023,755
Restricted net position	21,752,766	20,721,058	23,250,702
Unrestricted net position	10,762,160	7,608,125	7,391,972
Total Net Position	$ 37,225,166	$ 33,170,040	$ 35,666,429

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2023	2022	2021
Operating revenues:			
Sales	$ 18,838,806	$ 18,125,483	$ 19,029,166
Hook up fee transfers	139,118	178,380	236,380
Other	116,459	180,422	140,135
Total operating revenues	19,094,383	18,484,285	19,405,681
Operating expenses:			
Transmission	7,318,471	11,718,181	6,833,496
Distribution	5,257,457	5,256,037	4,816,666
Board of directors	212,516	247,915	188,441
Administrative	1,149,884	742,540	792,177
Easement acquisition	407,084	412,979	154,870
Rural water sign-up	-	-	207,717
Customer service	246,816	197,586	181,571
Treatment	2,842,397	2,786,647	2,512,377
Total operating expenses	17,434,625	21,361,885	15,687,315
Operating income (loss)	1,659,758	(2,877,600)	3,718,366
Nonoperating revenue:			
Property taxes	28,239	38,707	744,668
Grant income	455,976	4,048,024	-
Unrealized gain (loss) on investments	983,038	(4,272,024)	(824,462)
Realized gain (loss) on investments	(873)	(32,771)	(28,810)
Gain (loss) on disposal of assets	127,676	91,633	115,585
Investment income	801,312	507,642	414,790
Total nonoperating revenue before contributions	2,395,368	381,211	421,771
Change in net position	4,055,126	(2,496,389)	4,140,137
Total net position - beginning of year	33,170,040	35,666,429	31,526,292
Total net position - end of year	$ 37,225,166	$ 33,170,040	$ 35,666,429

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has one fund, an enterprise fund. The enterprise fund is for the Operations and Maintenance of the Southwest Water Authority. The main source of revenue for this fund is from the sale of water.

The revenues from the sale of water for 2023 totaled $18,838,806 compared with $18,125,483 for 2022 and $19,029,166 for 2021. This is an increase of $713,323 between 2023 and 2022 and a decrease of $903,683 between 2022 and 2021. The net income by department was as follows: transmission net income of $1,212,046, distribution net income of $359,130, and treatment net loss of $55,073. This compares to net income for each department in 2022 of transmission $1,178,099, distribution $257,585, and treatment $269,772. The net income for 2021 was transmission $2,619,608, distribution $686,336 and treatment $41,778.

The mill levy, which sunset in 2020, generated income of $28,239 for 2023 compared with $38,707 for 2022 and $744,668 for 2021. This is a decrease of $10,468 between 2023 and 2022 and a decrease of $705,961 between 2022 and 2021.

The revenues for the year were under budget by 15.8%, due to a $4.5 million federal grant from the North Dakota State Fiscal Recovery Fund that was budgeted for 2023, but awarded to SWA in 2022 for extraordinary repairs and maintenance on the main transmission line in Contract 2-3A. Of this amount, $4.05 million was recognized in 2022, and the remainder is expected to be received in 2024 upon completion of the project. Several of the Replacement and Extraordinary Maintenance expenses budgeted in 2023 did not occur and will be carried into 2024. This contributed to the overall expenses being under budget by 29.9%.

The Authority sold a total of 2,264,539,690 gallons of water in 2023 compared with 2,309,671,840 gallons in 2022 and 2,473,034,730 gallons in 2021. This is a decrease of 45,132,150 between 2023 and 2022 and a decrease of 163,362,890 between 2022 and 2021. For 2023, gallons sold were 2.30% under the projection for the year of 2,317,750,000 gallons.

Requests for Information

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

SOUTHWEST WATER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 3,479,551	$ 6,455,746
Investments	12,099,344	4,816,964
Receivables:		
Accounts (net of allowance of $12,404 and $20,767, 2023 and 2022 respectively)	1,751,894	1,627,419
Grants	453,976	1,502,657
Interest	21,562	17,285
Prepaid expenses	212,639	209,970
Materials and supplies	1,252,873	1,185,412
Total current assets	19,271,839	15,815,453
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	2,571,809	2,364,271
Investments	19,093,162	18,276,475
Interest receivable	87,795	80,312
Capital Assets:		
Land	112,307	111,787
Buildings, improvements and equipment, net	4,597,933	4,729,070
Total noncurrent assets	26,463,006	25,561,915
Total assets	45,734,845	41,377,368
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	3,537,993	4,354,572
Deferred OPEB outflows	88,263	107,506
Total deferred outflows of resources	3,626,256	4,462,078
LIABILITIES		
Current liabilities		
Accounts payable	1,140,208	1,234,968
Accrued salaries	345,296	262,690
Compensated absences, current portion	181,727	165,930
Accrued expenses	162,510	135,807
Customer prepayments	51,470	47,455
Unearned revenue	799,875	759,750
Total current liabilities	2,681,086	2,606,600
Long-term liabilities		
Compensated absences, net of current portion	187,314	93,101
Rental/customer deposits	62,200	61,075
Net pension liability	4,898,532	6,595,266
Net OPEB liability	214,765	233,069
Total long-term liabilities	5,362,811	6,982,511
Total liabilities	8,043,897	9,589,111
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	4,051,851	3,049,777
Deferred OPEB inflows	40,187	30,518
Total deferred inflows of resources	4,092,038	3,080,295
NET POSITION		
Net investment in capital assets	4,710,240	4,840,857
Restricted for replacement	21,752,766	20,721,057
Unrestricted	10,762,160	7,608,125
Total net position	$ 37,225,166	$ 33,170,040

SEE NOTES TO THE FINANCIAL STATEMENTS

SOUTHWEST WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating revenues:		
Sales	$ 18,838,806	$ 18,125,483
Hook up fee transfers	139,118	178,380
Other	116,459	180,422
Total operating revenues	19,094,383	18,484,285
Operating expenses:		
Transmission	7,318,471	11,718,181
Distribution	5,257,457	5,256,037
Board of directors	212,516	247,915
Administrative	1,149,884	742,540
Easement acquisition	407,084	412,979
Customer service	246,816	197,586
Treatment	2,842,397	2,786,647
Total operating expenses	17,434,625	21,361,885
Operating income (loss)	1,659,758	(2,877,600)
Non-operating revenue:		
Property taxes	28,239	38,707
Grant income	455,976	4,048,024
Unrealized gain (loss) on investments	983,038	(4,272,024)
Realized gain (loss) on investments	(873)	(32,771)
Gain (loss) on disposal of capital assets	127,676	91,633
Investment income	801,312	507,642
Total non-operating revenue	2,395,368	381,211
Change in net position	4,055,126	(2,496,389)
Total net position - beginning of year	33,170,040	35,666,429
Total net position - end of year	$ 37,225,166	$ 33,170,040

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Receipts from customers	$ 19,947,395	$ 16,725,714
Receipts from others	116,459	180,422
Payments to suppliers	(11,655,194)	(15,724,992)
Payments to employees	(5,108,481)	(4,735,160)
Net cash provided (used) by operating activities	3,300,179	(3,554,016)
Cash flows from noncapital financing activities:		
Property taxes revenue	28,239	38,707
Grant income	455,976	4,048,024
Net cash provided (used) by noncapital financing activities	484,215	4,086,731
Cash flows used by capital and related financing activities:		
Proceeds from sale of capital assets	136,915	101,721
Purchase of capital assets	(362,616)	(303,743)
Net cash provided (used) by capital and financing activities	(225,701)	(202,022)
Cash flows from investing activities:		
Proceeds from the sale of investments	5,226,955	1,903,385
Purchases of investments	(12,094,526)	(1,230,680)
Reinvested investment income	(249,331)	(106,018)
Investment income	789,552	505,184
Net cash provided (used) by investing activities	(6,327,350)	1,071,871
Net change in cash and cash equivalents	(2,768,657)	1,402,564
Cash and cash equivalents, beginning of period	8,820,017	7,417,453
Cash and cash equivalents, end of period	$ 6,051,359	$ 8,820,017
Cash and cash equivalents are comprised of:		
Cash and cash equivalents - unrestricted	$ 3,479,551	$ 6,455,746
Cash and cash equivalents - restricted	2,571,809	2,364,271
Total cash and cash equivalents	$ 6,051,360	$ 8,820,017

SOUTHWEST WATER AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of operating gain to net cash provided by operating activities		
Operating income	$ 1,659,758	$ (2,877,600)
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:		
Depreciation	483,994	476,553
Account write offs	185	22,038
Deferred outflows - pension & OPEB	835,822	(1,280,883)
Deferred inflows - pension & OPEB	1,011,743	(2,263,294)
Effects on operating cash flows due to changes in:		
Accounts receivable	924,021	(1,721,166)
Prepaid expenses	(2,669)	2,657
Materials and supplies	(67,461)	(320,487)
Accounts payable	(94,760)	261,247
Accrued salaries	82,606	12,858
Accrued expenses	26,703	(1,722)
Compensated absences	110,010	(33,027)
Customer prepayments	4,015	(3,271)
Rental/customer deposits	1,125	625
Unearned revenue	40,125	123,625
Net pension liability	(1,696,734)	3,938,838
Net OPEB liability	(18,304)	108,993
Total adjustments	1,640,421	(676,416)
Net cash provided by operating activities	$ 3,300,179	$ (3,554,016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Nature of operations and history

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

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

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

Reporting entity

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

Fund accounting

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

The following fund type is used by the Authority:

Proprietary fund type

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

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

Basis of accounting

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

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

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

Net position

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

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

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

Net position is classified and displayed in three components:

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

Cash and cash equivalents

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

Investments

Investments are accounted for at fair value. North Dakota state statute authorizes government entities to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation, d) Obligations of the state, and e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two annually recognized rating agencies and matures in two hundred seventy days or less.

Fair value of financial instruments

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

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

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

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

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

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

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

Receivables and credit policy

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

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

Materials and supplies

Materials and supplies are valued at the lower of cost or net realizable value.

Prepaid items

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

Capital assets

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

Prior to January 1, 2023, the Authority's capitalization threshold is $1,500 and a useful life of at least three years. Effective January 1, 2023, the Authority's capitalization threshold increased to $5,000.

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

Compensated absences

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

Customer prepayments

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

Unearned revenue

Unearned revenue consists of deposits held by Southwest Water Authority from potential users of the system.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other post-employment benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditures) until then. The Authority has two items that qualify for reporting in this category named Deferred Pension Outflows and Deferred OPEB Outflows which represents actuarial differences within NDPERS pension and other post-employment benefit plans as well as amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. Accordingly, Deferred Pension Inflows and Deferred OPEB Inflows, represents actuarial differences within NDPERS pension and other post-employment benefit plans. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CUSTODIAL CREDIT RISK

This is the risk that, in the event a financial institution fails, the Authority is unable to recover the value of its deposits, investment or collateral securities in the possession of the institution. In accordance with North Dakota laws, the Authority maintains deposits at a depository authorized by the Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds. As of December 31, 2023, all of the Authority's cash balances were either covered by FDIC insurance or collateral held in the Authority's name.

NOTE 3 INVESTMENTS

The Authority has set up six investment accounts with a local trust company. The escrow account represents hookup fees, which have been collected as deposits from future potential customers. The reserve account represents funds set aside for emergency situations. The general fund operating account is set up for general fund operations. The cash management account is associated with general operations. The O&M account is set up for O&M operations. The Reserve Fund for Replacement represents funds set aside for the purpose of replacement and extraordinary maintenance of Project works. The reserve for replacement account is restricted in accordance with NDCC Section 61-24.5.

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

The total fair value of the investments as of December 31, 2023 is $31,192,506 and its cost is $35,102,284. The total fair value of the investments as of December 31, 2022 is $23,093,439 and its cost is $27,986,254.

Interest Rate Risk

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

At December 31, 2023, the following table shows the investments by investment type and maturity:

Investment Type	Total Market Value	1 Year or less	1 - 5 Years	6 - 10 Years	More Than 10 Years
Government Bonds	$ 21,016,331	$ 740,519	$ 8,603,030	$ 11,672,782	$ -
Government Bonds Treasury	231,373	231,373	-	-	-
Government Mortgage-Backed	527	-	527	-	-
Mutual Funds - Fixed Income	2,345,973	2,345,973	-	-	-
Certificates of Deposit	7,598,301	7,098,301	500,000	-	-
	$ 31,192,506	$ 10,416,166	$ 9,103,557	$ 11,672,782	$ -

At December 31, 2022, the following table shows the investments by investment type and maturity:

Investment Type	Total Market Value	1 Year or less	1 - 5 Years	6 - 10 Years	More Than 10 Years
Government Bonds	$ 20,120,409	$ -	$ 6,305,690	$ 13,412,867	$ 401,852
Government Bonds Treasury	753,624	753,624	-	-	-
Government Mortgage-Backed	685	-	-	685	-
Mutual Funds - Fixed Income	2,218,721	2,218,721	-	-	-
	$ 23,093,439	$ 2,972,345	$ 6,305,690	$ 13,413,552	$ 401,852

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have an investment policy that specifically addresses credit risk. The following table represents the Authority's ratings as of December 31, 2023:

S&P	Total Market Value	Certificate of Deposits	Government Bonds	Government Mortgage Backed	Mutual Funds
AAA	$ 2,346,500	$ -	$ -	$ 527	$ 2,345,973
AA+	15,735,717	-	15,735,717	-	-
NR	13,110,288	7,598,301	511,987	-	-
Total credit risk Debt securities	$31,192,506	$ 7,598,301	$16,247,705	$ 527	$ 2,345,973

The following table represents the Authority's ratings as of December 31, 2022:

S&P	Total Market Value	Government Bonds	Government Mortgage Backed	Mutual Funds
AAA	$ 2,219,406	$ -	$ 685	$ 2,218,721
AA+	17,756,420	17,756,420	-	-
NR	3,117,613	3,117,613	-	-
Total credit risk Debt securities	$23,093,439	$20,874,033	$ 685	$ 2,218,721

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2023:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Government Bonds	$ 21,247,705	$ -	$ 21,247,705	$ -
Government Mortgage-Backed	527	-	527	-
Mutual Funds - Fixed Income	2,345,973	2,345,973	-	-
	23,594,205	$ 2,345,973	$ 21,248,232	$ -
Investments not subject to categorization:				
Certificates of deposit	7,598,301			
Total	$ 31,192,506			

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2022:

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Government Bonds	$ 20,874,033	$ -	$ 20,874,033	$ -
Government Mortgage-Backed	685	-	685	-
Mutual Funds - Fixed Income	2,218,721	2,218,721	-	-
	$ 23,093,439	$ 2,218,721	$ 20,874,718	$ -

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance 1/1/23	Additions	Disposals	Balance 12/31/23
Capital assets, not being depreciated:				
Land	$ 111,787	$ 520	$ -	$ 112,307
Capital assets, being depreciated:				
Building & Improvements	3,962,134	523	3,059	3,959,598
Office Furniture And Fixtures	307,943	-	17,237	290,706
Vehicles	910,380	254,294	137,607	1,027,067
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	4,011	-	-	4,011
Computer Equipment	144,057	-	23,877	120,180
Machinery & Equipment	3,030,294	107,279	150,939	2,986,634
Contributed Equipment	60,530	-	-	60,530
Computer Software	195,257	-	16,668	178,589
Total	8,660,699	362,096	349,387	8,673,408
Less accumulated depreciation:				
Building & Improvements	1,080,625	96,618	3,059	1,174,184
Office Furniture And Fixtures	272,862	15,676	17,237	271,300
Vehicles	487,101	118,387	133,895	471,594
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	4,011	-	-	4,011
Computer Equipment	80,518	29,475	23,877	86,116
Machinery & Equipment	1,719,252	215,686	145,413	1,789,524
Contributed Equipment	60,530	-	-	60,530
Computer Software	180,637	8,154	16,668	172,123
Total	3,931,629	483,994	340,149	4,075,475
Total capital assets being depreciated, net	4,729,070	(121,898)	9,238	4,597,933
Capital assets, net	$ 4,840,857	$ (121,378)	$ 9,238	$ 4,710,240

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Capital assets, not being depreciated:				
Land	$ 111,257	$ 530	$ -	$ 111,787
Capital assets, being depreciated:				
Building & Improvements	3,945,689	16,445	-	3,962,134
Office Furniture And Fixtures	307,943	-	-	307,943
Vehicles	826,653	164,163	80,436	910,380
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	4,011	-	-	4,011
Computer Equipment	172,596	43,078	71,617	144,057
Machinery & Equipment	2,966,954	79,527	16,187	3,030,294
Contributed Equipment	60,530	-	-	60,530
Computer Software	249,537	-	54,280	195,257
Total	8,580,006	303,213	222,520	8,660,699
Less accumulated depreciation:				
Building & Improvements	983,726	96,899	-	1,080,625
Office Furniture And Fixtures	246,945	25,917	-	272,862
Vehicles	464,757	98,878	76,534	487,101
Contributed Vehicles	46,093	-	-	46,093
Other Fixed Assets	4,011	-	-	4,011
Computer Equipment	126,513	25,622	71,617	80,518
Machinery & Equipment	1,508,170	221,083	10,001	1,719,252
Contributed Equipment	60,530	-	-	60,530
Computer Software	226,763	8,154	54,280	180,637
Total	3,667,508	476,553	212,432	3,931,629
Total capital assets being depreciated, net	4,912,498	(173,340)	10,088	4,729,070
Capital assets, net	$ 5,023,755	$ (172,810)	$ 10,088	$ 4,840,857

NOTE 5 COMPENSATED ABSENCES

A summary of compensated absences as of December 31, 2023 and 2022 was follows:

	2023	2022
Balance - January 1	$ 259,031	$ 292,058
Additions	111,579	186,147
Reductions	(1,569)	(219,174)
Balance - December 31	$ 369,041	$ 259,031
Amounts Due Within One Year	$ 181,727	$ 165,930

NOTE 6 DEFINED BENEFIT PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2021, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2023, Southwest Water Authority reported a liability of $4,898,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Authority's proportion was .254040%, which was a increase of .025043% from its proportion measured as of June 30, 2022. At June 30, 2022, the Authority's proportion was 0.228997%, which was a decrease of .025865% from its proportion measured as of June 30, 2021.

For the years ended December 31, 2023 and 2022, the Authority recognized pension expense of $359,155 and $710,723, respectively. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 159,463	$ (27,015)
Changes of assumptions	2,701,108	(3,718,110)
Net difference between projected and actual earnings on pension plan investments	128,529	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	427,518	(306,726)
Employer contributions subsequent to the measurement date	121,377	-
Total	$ 3,537,993	$ (4,051,851)

$121,377 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

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

Year ending December 31:	
2024	$ (3,024)
2025	(543,199)
2026	140,151
2027	(229,161)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,403	$ (125,981)
Changes of assumptions	3,944,068	(2,445,104)
Net difference between projected and actual earnings on pension plan investments	241,385	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,680	(478,692)
Employer contributions subsequent to the measurement date	106,036	-
Total	$ 4,354,572	$ (3,049,777)

$106,036 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

Year ending December 31:	
2023	$ 303,957
2024	413,820
2025	(69,259)
2026	550,241

Actuarial assumptions

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

	July 1, 2023	July 1, 2022
Inflation	2.25%	2.25%
Salary increases	3.50% to 17.75%, including inflation	3.50% to 17.75%, including inflation
Investment rate of return	6.50%, net of investment expenses	5.10%, net of investment expenses
Cost of living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2020 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2023	July 1, 2022	July 1, 2023	July 1, 2022
Domestic Equity	31%	30%	6.25%	5.75%
International Equity	20%	21%	6.95%	6.45%
Private Equity	7%	7%	9.45%	9.20%
Domestic Fixed Income	23%	23%	2.51%	0.34%
Global Real Assets	19%	19%	4.33%	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 the July 1, 2023 valuation, the expected rate of return on pension plan investments is 6.5%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.5%. For the purpose of the July 1, 2022 valuation, the expected rate of return on pension plan investments is 6.5%; 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 Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.50% for the year ended December 31, 2023 and 5.10% for the year ended December 31, 2022, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability - December 31, 2023	$ 6,753,899	$ 4,898,532	$ 3,359,362

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability - December 31, 2022	$ 8,705,298	$ 6,595,266	$ 4,863,003

Pension plan fiduciary net position

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

NOTE 7 DEFINED OPEB PLAN

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC has become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2023, the Southwest Water Authority reported a liability of $214,765 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Authority's proportion was 0.214818%, which was an increase of 0.020644% from its proportion measured as of June 30, 2022. At June 30, 2022, the Authority's proportion was 0.194174%, which was a decrease of 0.028915% from its proportion measured as of June 30, 2021.

For the years ended December 31, 2023 and 2022, the Authority recognized OPEB expense of $35,826 and $30,258, respectively.

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,041	$ (2,458)
Changes of assumptions	45,804	(17,785)
Net difference between projected and actual earnings on OPEB plan investments	15,512	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,363	(19,944)
Employer contributions subsequent to the measurement date	12,543	-
Total	$ 88,263	$ (40,187)

$12,543 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024.

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

Year ending December 31:	
2024	$ 11,199
2025	8,821
2026	19,836
2027	(4,323)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,524	$ -
Changes of assumptions	58,708	-
Net difference between projected and actual earnings on OPEB plan investments	31,382	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(30,518)
Employer contributions subsequent to the measurement date	11,892	-
Total	$ 107,506	$ (30,518)

$11,892 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023.

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

Year ending December 31:	
2023	$ 15,901
2024	14,335
2025	12,271
2026	22,589

Actuarial Assumptions

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

	July 1, 2023	July 1, 2022
Inflation	2.25%	2.25%
Salary increases	Not applicable	Not applicable
Investment rate of return	5.75%, net of investment expenses	5.75%, net of investment expenses
Cost of living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2020 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 and July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	July 1, 2023	July 1, 2022	July 1, 2023	July 1, 2022
S&P 500 Index	33%	0%	5.50%	0.00%
US Small Cap Equity	6%	0%	7.65%	0.00%
World Equity ex-US	26%	0%	6.82%	0.00%
US High Yield	3%	0%	5.32%	0.00%
Emerging Markets Debt	4%	0%	6.25%	0.00%
Core Fixed Income	28%	0%	4.04%	0.00%
International Equities	0%	26%	0.00%	6.00%
Broad US Equity	0%	39%	0.00%	5.75%
Core-Plus Fixed Income	0%	35%	0.00%	0.22%

Discount rate

The discount rate used to measure the total OPEB liability was 5.75% for the July 1, 2023 valuation and 5.39% for the July 1, 2022 valuation. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of December 31, 2023 and 2022, calculated using the discount rate of 5.75% and 5.39%, respectively, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability - December 31, 2023	$ 282,253	$ 214,765	$ 157,947

	1% Decrease 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability - December 31, 2022	$ 297,489	$ 233,069	$ 178,982

OPEB plan fiduciary net position

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

NOTE 8 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Political subdivisions have joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. The Authority pays an annual premium to NDIRF for its general insurance, personal injury insurance, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $10,000,000 per occurrence. The Authority does participate in the North Dakota fire and tornado fund, state bonding fund, and the North Dakota Workforce Safety & Insurance workers' compensation program.

The Authority carries insurance for all other risks of loss, including auto insurance, employee health and accident insurance, with coverage up to $10,000,000 per occurrence.

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

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

NOTE 9 TAX ABATEMENTS

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

NOTE 10 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- 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,* enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

NOTE 11 SUBEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 13, 2024, which is the date these financials statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.254040%	$ 4,898,532	$ 3,215,725	152.33%	65.31%
2022	0.228997%	6,595,266	2,854,403	231.06%	54.47%
2021	0.254862%	2,656,428	2,886,030	92.04%	78.26%
2020	0.252145%	7,932,536	2,781,464	285.19%	48.91%
2019	0.267420%	3,134,356	2,781,628	112.68%	71.66%
2018	0.277297%	4,679,689	2,848,716	164.27%	63.53%
2017	0.286009%	4,597,103	2,919,708	157.45%	61.98%
2016	0.272280%	2,652,647	2,743,931	96.67%	70.46%
2015	0.242670%	1,650,142	2,161,934	76.33%	77.15%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 121,377	$ (121,377)	$ -	$ 1,621,308	7.49%
2022	211,428	(203,233)	-	2,854,403	7.12%
2021	216,008	(210,463)	-	2,955,936	7.30%
2020	209,072	(209,072)	-	2,915,646	7.17%
2019	201,606	(201,606)	-	2,831,547	7.12%
2018	207,233	(207,233)	-	2,910,582	7.12%
2017	208,567	(208,567)	-	2,929,305	7.12%
2016	204,573	(204,573)	-	2,873,226	7.12%
2015	189,478	(189,478)	-	2,661,206	7.12%

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

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.214818%	$ 214,765	$ 2,159,316	9.95%	62.74%
2022	0.194174%	233,069	2,854,403	8.17%	56.28%
2021	0.223089%	124,076	2,432,240	5.10%	76.63%
2020	0.237850%	200,079	2,711,416	7.38%	63.38%
2019	0.249282%	200,220	2,781,628	7.20%	63.13%
2018	0.260340%	205,038	2,848,716	7.20%	61.89%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 25,354	$ (36,659)	$ (11,305)	$ 2,224,042	1.14%
2022	24,446	(32,540)	(8,094)	2,135,578	1.14%
2021	28,564	(33,698)	(5,134)	2,505,612	1.14%
2020	31,762	(17,162)	14,600	2,786,076	1.14%
2019	32,280	(17,526)	14,754	2,831,547	1.14%
2018	33,181	(18,004)	15,177	2,910,582	1.14%

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

NOTE 1 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION

Changes of benefit terms.
In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of assumptions.
All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NOTE 2 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM OPEB

Changes of benefit terms.
Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2022.

Changes of assumptions.
All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

SUPPLEMENTARY INFORMATION

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Trans- mission	Distri- bution	Board of Directors	Admin- istration	Easement	Customer Service	Treatment	Total
Salaries	$ 1,243,850	$ 493,621	$ 55,154	$ 612,425	$ 216,403	$ 52,997	$ 992,872	$ 3,667,322
Benefits	463,999	218,783	18	276,486	109,352	33,912	429,294	1,531,844
Payroll taxes	85,903	34,931	4,917	44,004	14,934	3,743	72,729	261,161
Professional fees	44,487	42,373	47,906	132,151	28,357	1,600	92,807	389,681
Supplies	24,116	4,981	400	12,468	5,496	3,195	3,479	54,135
Computer	12,950	21,204	-	11,545	3,289	9,978	27,332	86,298
Utilities	1,064,164	82,540	-	-	-	-	250,127	1,396,831
Repairs	245,180	360,788	-	2,573	41	-	156,990	765,572
Travel	117,440	47,063	35,092	6,149	1,028	-	7,811	214,583
Telephone	27,369	5,479	4,344	1,334	1,467	205	11,753	51,951
Capital repayment	2,503,844	3,715,288	-	-	-	-	-	6,219,132
Insurance	77,835	-	22,964	6,271	3,938	-	54,580	165,588
Maintenance	1,164,940	-	-	-	-	-	-	1,164,940
Printing and promotion	-	-	1,548	31,714	44	80,940	79	114,325
Postage	1,242	503	216	1,365	1,660	43,658	1,717	50,361
Licenses & Permits	5,253	-	-	-	-	-	-	5,253
Dues and subscriptions	409	-	30,151	3,534	330	-	25	34,449
Development and education	1,682	665	5,500	3,336	141	-	2,953	14,277
Water testing	-	11,676	-	-	-	-	16,938	28,614
Chemicals	-	-	-	-	-	-	688,619	688,619
Bad debts (recoveries)	-	-	-	-	-	185	-	185
Rent	6,000	-	-	-	-	-	-	6,000
Depreciation	217,592	216,682	548	2,372	7,559	7,848	31,393	483,994
Miscellaneous	10,216	880	3,758	2,157	13,045	8,555	899	39,510
	$ 7,318,471	$ 5,257,457	$ 212,516	$ 1,149,884	$ 407,084	$ 246,816	$ 2,842,397	$ 17,434,625

SOUTHWEST WATER AUTHORITY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Trans-mission	Distri-bution	Board of Directors	Admin-istration	Easement	Customer Service	Treatment	Total
Salaries	$ 1,198,641	$ 463,017	$ 50,213	$ 372,480	$ 194,212	$ 41,908	$ 858,312	$ 3,178,783
Benefits	614,877	287,839	53	192,857	134,466	31,305	534,403	1,795,800
Payroll taxes	89,094	37,813	4,567	25,847	13,487	2,943	68,589	242,340
Professional fees	93,743	21,370	76,705	96,135	55,842	10,413	107,045	461,253
Supplies	4,422	2,463	7,929	11,049	3,784	2,330	4,225	36,202
Utilities	1,042,897	88,363	-	-	-	-	269,344	1,400,604
Repairs	222,119	681,545	-	4,013	1,436	570	188,162	1,097,845
Travel	129,710	47,892	36,695	7,071	1,108	-	11,816	234,292
Telephone	34,748	1,270	4,500	1,142	1,635	234	11,892	55,421
Capital repayment	2,378,778	3,400,571	-	-	-	-	-	5,779,349
Insurance	76,077	-	22,864	9,275	100	-	48,550	156,866
Maintenance	5,541,290	-	-	-	-	-	-	5,541,290
Printing and promotion	39,952	-	5,352	6,150	1,788	24,512	-	77,754
Postage	877	303	526	2,434	1,627	52,021	2,222	60,010
Dues and subscriptions	598	157	29,894	7,888	593	-	350	39,480
Development and education	365	471	4,135	2,792	85	-	1,753	9,601
Water testing	-	18,455	-	-	-	-	23,848	42,303
Chemicals	-	-	-	-	-	-	625,716	625,716
Bad debts (recoveries)	6,480	-	-	-	-	15,558	-	22,038
Rent	6,000	-	-	-	-	-	-	6,000
Depreciation	228,898	204,232	266	2,418	2,587	8,583	29,568	476,553
Miscellaneous	8,616	276	4,216	989	228	7,209	852	22,385
	$ 11,718,181	$ 5,256,037	$ 247,915	$ 742,540	$ 412,979	$ 197,586	$ 2,786,647	$ 21,361,885

SOUTHWEST WATER AUTHORITY
SCHEDULES OF PERCENTAGE CHANGE
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022	Percent Change
Salaries	$ 3,667,322	$ 3,178,783	15.37%
Benefits	1,531,844	1,795,800	-14.70%
Payroll taxes	261,161	242,340	7.77%
Professional fees	389,681	461,253	-15.52%
Supplies	54,135	36,202	49.54%
Computer	86,298	-	
Utilities	1,396,831	1,400,604	-0.27%
Repairs	765,572	1,097,845	-30.27%
Travel	214,583	234,292	-8.41%
Telephone	51,951	55,421	-6.26%
Capital repayment	6,219,132	5,779,349	7.61%
Insurance	165,588	156,866	5.56%
Maintenance*	1,164,940	5,541,290	-78.98%
Printing and promotion	114,325	77,754	47.03%
Postage	50,361	60,010	-16.08%
Licenses & Permits	5,253	-	
Dues and subscriptions	34,449	39,480	-12.74%
Development and education	14,277	9,601	48.70%
Water testing	28,614	42,303	-32.36%
Chemicals	688,619	625,716	10.05%
Bad debts (recoveries)	185	22,038	-99.16%
Rent	6,000	6,000	0.00%
Depreciation	483,994	476,553	1.56%
Miscellaneous	39,510	22,385	76.50%
	$ 17,434,625	$ 21,361,885	-18.38%

*The decrease was due to extraordinary repairs and replacement on the 30” raw water transmission line near Taylor, ND in 2022.

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Stockholders
Southwest Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Southwest Water Authority as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements, which collectively comprise Southwest Water Authority's basic financial statements and have issued our report thereon dated March 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Water Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brady Martz

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

March 13, 2024

SOUTHWEST WATER AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

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