

**WESTERN AREA WATER SUPPLY AUTHORITY
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Area Water Supply Authority
Williston, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Western Area Water Supply Authority as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Western Area Water Supply 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 Western Area Water Supply Authority as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Western Area Water Supply 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 opinion. 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 Western Area Water Supply 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 Western Area Water Supply 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 schedule of employer OPEB contributions, schedule of employer's proportionate share of net OPEB liability, schedule of employer pension contributions, schedule of employer's proportionate share of net pension liability and notes to the required supplementary information 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Area Water Supply Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information includes the statements of net position by fund and revenues, expenses and change in net position by fund but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement or the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2024 on our consideration of Western Area Water Supply 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 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 the Authority's internal control over financial reporting and compliance.



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

September 4, 2024

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 29,345,768	\$ 23,519,176
Accounts receivable (net of allowance of \$63,333 in 2023 and \$63,863 in 2022)	3,036,327	2,625,982
Current portion of amount due from Member entities	1,741,851	1,714,362
Supplies inventory	583,973	568,678
Prepaid expenses	79,909	60,264
Total current assets	<u>34,787,828</u>	<u>28,488,462</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	279,549,301	271,028,470
Intangible assets, net of accumulated amortization	105,576,837	106,496,432
Restricted cash, debt service	1,599,974	1,078,157
Amount due from Member entities, net of current portion	25,338,933	25,233,958
Total noncurrent assets	<u>412,065,045</u>	<u>403,837,017</u>
Total assets	<u>446,852,873</u>	<u>432,325,479</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - OPEB	24,710	32,876
Deferred outflow - pension	1,055,418	1,619,969
Total deferred outflows of resources	<u>1,080,128</u>	<u>1,652,845</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENTS OF NET POSITION - CONTINUED
DECEMBER 31, 2023 AND 2022

LIABILITIES	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 5,586,506	\$ 1,477,301
Other current liabilities	76,829	74,349
Due to Wesco Operating	46,425	-
Current portion of access and use liabilities	2,120,961	2,294,063
Current portion of notes payable	2,437,325	4,495,392
Total current liabilities	<u>10,268,046</u>	<u>8,341,105</u>
Noncurrent liabilities:		
Access and use liabilities, net of current portion	13,605,681	15,726,641
Notes payable, net of current portion	66,228,356	94,101,625
Interest payable	-	6,598,387
Unamortized loan origination fees	(28,260)	(23,482)
Net OPEB liability	57,829	64,584
Net pension liability	1,435,565	2,139,717
Total noncurrent liabilities	<u>81,299,171</u>	<u>118,607,472</u>
Total liabilities	<u>91,567,217</u>	<u>126,948,577</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - Member entities	35,514,434	35,378,218
Deferred inflow - OPEB	13,273	12,705
Deferred inflow - pension	1,217,391	1,054,420
Deferred inflow - customers	1,027,972	1,190,730
Total deferred inflows of resources	<u>37,773,070</u>	<u>37,636,073</u>
NET POSITION		
Net investment in capital and intangible assets	292,328,425	252,500,765
Restricted for debt service	1,599,974	1,078,157
Unrestricted	24,664,315	15,814,752
Total net position	<u>\$ 318,592,714</u>	<u>\$ 269,393,674</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE		
Water sales	\$ 22,122,280	\$ 19,605,119
Billing and invoicing	129,258	107,371
Bulk commercial water reimbursement	144,562	90,504
Total operating revenue	<u>22,396,100</u>	<u>19,802,994</u>
OPERATING EXPENSES		
Member entities operating reimbursement	899,646	-
Operating and maintenance	7,570,305	6,480,522
Professional fees	103,337	75,271
Purchase of water	1,764,839	1,522,234
Management fees	74,172	71,620
Administrative and general	270,384	236,127
Payroll and employee benefits	1,409,550	1,607,820
Communications and utilities	7,815	110,499
Transportation	100,960	113,478
Depreciation	6,199,496	6,101,599
Amortization	1,142,577	1,138,889
Total operating expenses	<u>19,543,081</u>	<u>17,458,059</u>
OPERATING INCOME	<u>2,853,019</u>	<u>2,344,935</u>
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	104,824	121,423
Surcharge income	74,700	50,700
Interest income	779,406	70,448
Interest expense	(1,756,538)	(2,102,284)
Access and use interest and admin fee	(604,434)	(561,056)
Grant revenue	11,033,736	8,893,816
Debt and interest forgiveness	34,976,713	-
Amortization of Member entities deferred inflows	1,710,824	1,644,806
Gain on disposal of capital assets	26,790	23,879
Total nonoperating revenues (expenses)	<u>46,346,021</u>	<u>8,141,732</u>
CHANGE IN NET POSITION	<u>49,199,040</u>	<u>10,486,667</u>
NET POSITION - JANUARY 1	<u>269,393,674</u>	<u>258,907,007</u>
NET POSITION - DECEMBER 31	<u><u>\$ 318,592,714</u></u>	<u><u>\$ 269,393,674</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 21,985,755	\$ 21,017,898
Cash payments to suppliers	(6,670,768)	(8,540,196)
Cash payments to employees	(1,381,721)	(1,420,252)
Net cash provided by operating activities	<u>13,933,266</u>	<u>11,057,450</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(14,730,372)	(10,049,391)
Proceeds from sale of fixed assets	26,790	115,000
Acquisition of intangible assets	(212,937)	(1,483,808)
Proceeds from long-term notes payable	44,334,074	3,120,068
Payments on long-term notes payable	(39,288,697)	(4,923,792)
Payments on access and use liabilities	(2,294,062)	(2,236,953)
Payments received - customer contracts	3,055,000	2,820,000
Water usage - customer contracts	(3,217,758)	(1,644,264)
Advance payments received on member entities debt	411,000	411,000
Remittance of member entities debt	(411,000)	(411,000)
Collection of amount due from member entities	1,714,576	1,687,234
Cost-share income	104,824	121,438
Grant revenue	11,033,736	8,893,816
Cash paid for interest	(8,955,357)	(2,659,508)
Net cash used by capital and related financing activities	<u>(8,438,963)</u>	<u>(6,240,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Surcharge income	74,700	50,700
Interest income	779,406	70,448
Net cash provided by investing activities	<u>854,106</u>	<u>121,148</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,348,409	4,938,438
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>24,597,333</u>	<u>19,658,895</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 30,945,742</u></u>	<u><u>\$ 24,597,333</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash	\$ 29,345,768	\$ 23,519,176
Restricted Cash	1,599,974	1,078,157
	<u><u>\$ 30,945,742</u></u>	<u><u>\$ 24,597,333</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

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

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2023</u>	<u>2022</u>
Operating income	\$ 2,853,019	\$ 2,344,935
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,199,496	6,101,599
Amortization	1,142,577	1,138,889
Effects on operating cash flows due to changes in:		
Accounts receivable	(410,345)	1,214,904
Inventories	(15,295)	(37,507)
Prepaid expenses	(19,645)	(5,829)
Accounts payable	4,109,205	112,891
Other current liabilities	48,905	2,443
Net OPEB liability	(6,755)	35,229
Net pension liability	(704,152)	1,501,725
Deferred outflow - OPEB	8,166	(16,399)
Deferred outflow - pension	564,551	(820,822)
Deferred inflow - OPEB	568	(14,636)
Deferred inflow - pension	162,971	(499,972)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 13,933,266</u>	 <u>\$ 11,057,450</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of Member entities deferred inflows	\$ 1,710,824	\$ 1,644,806
Gain on disposal of capital assets	26,790	23,879
Amortization of loan origination fees	4,002	3,833
Deferred inflow resulting from capital assets acquired through cost shared infrastructure agreement with member entities and future amounts due from member entities to reimburse WAWSA for infrastructure costs	1,847,040	3,120,068
Debt and interest forgiveness	34,976,713	-

SEE NOTES TO THE FINANCIAL STATEMENTS

WESTERN AREA WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Western Area Water Supply Authority ("the 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 Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting guidelines.

Nature of operations and history

The Western Area Water Supply Authority was formed to own, finance, construct and operate the Western Area Water Supply Project. The project is a comprehensive water supply project largely utilizing Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or parts of McKenzie, Williams, Divide, Burke and Mountrail counties. The member entities with which Western Area Water Supply Authority has agreements with include R & T Water District, the City of Williston, McKenzie County Water Resource District, Northwest Rural Water District, and BDW Water System Association. Effective May 20, 2011, the association was organized as a water Authority under North Dakota Century Code 61-35. It is exempt from federal income tax under section 501(c)1 of the Internal Revenue Code. The Authority is accounted for as a special purpose government engaged in a business-type activity. Business-type activities are used to account for operations that are financed or operated in a manner similar to the private sector, where the intent is that cost of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

Reporting entity

Component units are legally separate organizations for which the Authority is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the 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. Component units may also include organizations that are fiscally dependent on the Authority.

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

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Basis of accounting

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

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

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

Business-type activities distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses are those that generally result from providing service and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Revenue from water sales, billing and invoicing, penalties and water reimbursements are reported as operating revenue. Grants, interest, rental and all other income are reported as nonoperating revenue. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing cost are reported as nonoperating.

Cash and cash equivalents

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

Restricted cash

Restricted cash consists of cash and cash equivalents set aside for debt retirement in accordance with debt agreements as well as for the replacement reserve.

Investment policy

The Authority has no formal investment policy. State statutes authorize local governments to invest 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, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase are of the type listed above, c) certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) obligations of the state.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Accounts receivable

Accounts receivable are carried at original invoice amount less an allowance for uncollectible accounts. Management determines the allowance for uncollectible accounts based on an analysis of individuals' accounts. Accounts receivable are written off when determined to be uncollectible. Recoveries of receivables previously written off are recorded when received.

Supplies inventory

Inventories are valued at the lower of cost or net realizable value. Inventories are accounted for using the first-in, first-out method.

Capital assets

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

The Authority has established the following useful lives:

Structures and improvements	20-40 years
Pipelines and pipeline equipment	50 years
Distribution reservoirs	40 years
Pump stations	40 years
Meters	20 years
Office furniture and equipment	5-10 years
Tools and shop equipment	5 years
Vehicles	5 years

Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization. A portion of the intangible assets is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis, over the estimated useful life of the asset. The Authority entered into a service concession arrangement with neighboring water districts. Under GASB 60 – Service Concession Arrangements, the access and use payment plan associated with the agreement is capitalized at the present value. All intangible assets under the service concession arrangement are to be amortized over the remaining life of the agreement.

Compensated absences

Authority employees accumulate vacation hours for subsequent use or for payment upon termination or retirement. Vacation expenses to be paid in future periods are accrued when incurred. A liability for these amounts is reported as part of other current liabilities in the statement of net position.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The Authority has two items that qualify for reporting in the categories named *Deferred outflow – pension*, which represents actuarial differences within NDPERS pension plans as well as amounts paid to the plans after the measurement date and *Deferred outflow – OPEB*, which represents actuarial differences within NDPERS other postemployment benefits (OPEB) plans as well as amounts paid to the plans 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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has four items that qualify for reporting in this category named *Deferred inflow – pension*, which represents actuarial differences within NDPERS pension plans, *Deferred inflow – OPEB*, which represents actuarial differences within NDPERS OPEB plans, *Deferred inflow – Member entities*, which represents cost shared infrastructure in which the Member entities have agreed to pay for, and *Deferred inflow – customers*, which represents revenue that will be earned over the life of the contract. These amounts are deferred and recognized as an inflow of resources over the period that the amounts benefit the Authority.

Other postemployment benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and the 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.

Net pension liability

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 Employee 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.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Net position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Authority's financial statements. Net investment in capital and intangible assets consists of capital and intangible assets, net of accumulated depreciation and amortization, 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 two components:

- Net investment in capital and intangible assets – Consists of capital and intangible assets including restricted capital and intangible assets, net of accumulated depreciation or amortization 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 debt service – consists of assets restricted by constraints imposed by (1) external groups such as creditors, grantors, contributors or regulations of other governments; or (2) law through constitutional provisions or enabling legislation reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position – All other net position that do not meet the definitions of “Net investment in capital assets”.

Use of estimates

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

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. Such reclassifications had no effect on net position as previously reported.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

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. As of December 31, 2023, all of the Authority's bank balances were fully covered by federal depository insurance and pledged securities. 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 GRANT REVENUE

The Authority received \$4,970,035 in grant revenue from the State Water Commission during the year ended December 31, 2022 through SWC Project No. 1973/07. The Authority did not receive any grant revenue through this project for the year ended December 31, 2023.

The Authority received \$3,478,000 in grant revenue from the State Water Commission during the year ended December 31, 2022 through SWC Project No. 1973/08. The Authority did not receive any grant revenue through this project for the year ended December 31, 2023.

The Authority received \$2,575,432 and \$45,750 in grant revenue from the State Water Commission during the years ended December 31, 2023 and 2022, respectively, through SWC Project No. 1973/09.

The Authority received \$3,583,479 and \$338,701 in grant revenue from the State Water Commission during the years ended December 31, 2023 and 2022, respectively, through SWC Project No. 1973/10.

The Authority received \$61,330 in grant revenue from the Federal Emergency Management Agency (FEMA) during the year ended December 31, 2022 through AL No. 97.036. The Authority did not receive any grant revenue through this project for the year ended December 31, 2023.

The Authority received \$1,961,258 in grant revenue from the State Water Commission during the year ended December 31, 2023 through SWC Phase 6 Projects. The Authority did not receive any grant revenue through this project for the year ended December 31, 2022.

The Authority received \$176,250 in grant revenue from the State Water Commission during the year ended December 31, 2023 through SWC Battleview & McGregor Project. The Authority did not receive any grant revenue through this project for the year ended December 31, 2022.

The Authority received \$102,975 in grant revenue from the State Water Commission during the year ended December 31, 2023 through SWC East Williston CR 9 Project. The Authority did not receive any grant revenue through this project for the year ended December 31, 2022.

The Authority received \$2,634,342 in grant revenue from the State Water Commission during the year ended December 31, 2023 through SWC MCWRD System I South Project. The Authority did not receive any grant revenue through this project for the year ended December 31, 2022.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 4 WATER SALES

Water sales for the years ended December 31, 2023 and 2022 consist of the following:

	2023	2022
Industrial	\$ 13,035,908	\$ 11,498,145
Domestic	8,440,080	7,539,446
Commercial	646,292	567,528
	<u>\$ 22,122,280</u>	<u>\$ 19,605,119</u>

NOTE 5 NET INVESTMENT IN CAPITAL AND INTANGIBLE ASSETS

Net investment in capital and intangible assets for the years ended December 31, 2023 and 2022 consist of the following:

	2023	2022
Deferred inflow - Member entities		
Capital assets, net of accumulated depreciation	\$ 279,549,301	\$ 271,028,470
Intangible assets, net of accumulated amortization	105,576,837	106,496,432
Amount due from Member entities	27,080,784	26,948,320
Notes payable	(68,665,681)	(98,597,017)
Access and use liabilities, net of current portion	(15,726,642)	(18,020,704)
Unamortized loan origination fees	28,260	23,482
Deferred inflow - Member entities	(35,514,434)	(35,378,218)
	<u>\$ 292,328,425</u>	<u>\$ 252,500,765</u>

NOTE 6 CONCENTRATION OF CREDIT RISK

Western Area Water Supply Authority, located in Williston, North Dakota, provides a comprehensive water supply largely utilizing Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or parts of McKenzie, Williams, Divide, Burke and Mountrail counties. The Authority grants credit to customers located within this service area. The amount of accounting loss could be equivalent to the accounts receivable balance at year end.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 were as follows:

	Balance 1/1/2023	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	\$ 11,991,543	\$ 133,451	\$ -	\$ 12,124,994
Construction in progress	17,248,943	14,051,585	5,882,238	25,418,290
Total	<u>29,240,486</u>	<u>14,185,036</u>	<u>5,882,238</u>	<u>37,543,284</u>
Capital assets, being depreciated:				
Buildings and infrastructure/pipelines	289,442,520	6,171,696	-	295,614,216
Machinery and equipment	778,303	5,005	-	783,308
Vehicles	562,627	107,540	85,088	585,079
Furniture and fixtures	322,917	6,753	-	329,670
Total	<u>291,106,367</u>	<u>6,290,994</u>	<u>85,088</u>	<u>297,312,273</u>
Less accumulated depreciation:				
Buildings and infrastructure/pipelines	48,336,531	6,043,823	-	54,380,354
Machinery and equipment	486,305	59,870	-	546,175
Vehicles	467,322	62,210	85,088	444,444
Furniture and fixtures	234,271	33,593	-	267,864
Total	<u>49,524,429</u>	<u>6,199,496</u>	<u>85,088</u>	<u>55,638,837</u>
Total capital assets being depreciated, net	<u>241,581,938</u>	<u>91,497</u>	<u>-</u>	<u>241,673,436</u>
Amortizable assets, being amortized:				
Interest	269,244	136,580	-	405,824
Leasehold Improvements	9,870	-	-	9,870
Total	<u>279,114</u>	<u>136,580</u>	<u>-</u>	<u>415,694</u>
Less accumulated amortization				
Interest	67,311	9,387	-	76,698
Leasehold Improvements	5,757	658	-	6,415
Total	<u>73,068</u>	<u>10,045</u>	<u>-</u>	<u>83,113</u>
Total capital assets being amortized, net	<u>206,046</u>	<u>126,535</u>	<u>-</u>	<u>332,581</u>
Capital assets, net	<u>\$ 271,028,470</u>	<u>\$ 14,403,068</u>	<u>\$ 5,882,238</u>	<u>\$ 279,549,301</u>

Depreciation and amortization expense on capital assets for the year ended December 31, 2023 totaled \$6,199,495 and \$10,045, respectively.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

	Balance 1/1/2022	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 11,745,578	\$ 245,965	\$ -	\$ 11,991,543
Construction in progress	14,147,213	3,101,730	-	17,248,943
Total	<u>25,892,791</u>	<u>3,347,695</u>	<u>-</u>	<u>29,240,486</u>
Capital assets, being depreciated:				
Buildings and infrastructure/pipelines	282,928,907	6,513,613	-	289,442,520
Machinery and equipment	784,798	143,931	150,426	778,303
Vehicles	562,627	-	-	562,627
Furniture and fixtures	278,765	44,152	-	322,917
Total	<u>284,555,097</u>	<u>6,701,696</u>	<u>150,426</u>	<u>291,106,367</u>
Less accumulated depreciation:				
Buildings and infrastructure/pipelines	42,391,548	5,944,983	-	48,336,531
Machinery and equipment	482,013	63,597	59,305	486,305
Vehicles	403,328	63,994	-	467,322
Furniture and fixtures	205,246	29,025	-	234,271
Total	<u>43,482,135</u>	<u>6,101,599</u>	<u>59,305</u>	<u>49,524,429</u>
Total capital assets being depreciated, net	<u>241,072,962</u>	<u>600,097</u>	<u>91,121</u>	<u>241,581,938</u>
Amortizable assets, being amortized:				
Interest	269,244	-	-	269,244
Leasehold Improvements	9,870	-	-	9,870
Total	<u>279,114</u>	<u>-</u>	<u>-</u>	<u>279,114</u>
Less accumulated amortization				
Interest	60,580	6,731	-	67,311
Leasehold improvements	5,099	658	-	5,757
Total	<u>65,679</u>	<u>7,389</u>	<u>-</u>	<u>73,068</u>
Total capital assets being amortized, net	<u>213,435</u>	<u>(7,389)</u>	<u>-</u>	<u>206,046</u>
Capital assets, net	<u>\$ 267,179,188</u>	<u>\$ 3,940,403</u>	<u>\$ 91,121</u>	<u>\$ 271,028,470</u>

Depreciation and amortization expense on capital assets for the year ended December 31, 2022 totaled \$6,101,599 and \$7,389, respectively.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 8 INTANGIBLE ASSETS

The Authority has entered into service concession arrangements with R & T Water District, the City of Williston, McKenzie County Water Resource District, and BDW Water System Association. The Authority has made infrastructure upgrades to facilities that they do not have title to. They have also signed access and use payment agreements with the entities that have debt on their facilities to help them pay for their debt. Under the service concession arrangement, these are recorded as intangible assets by the Authority and amortized over the life of the agreement, which is 99 years. The access and use payment agreements recorded as intangible assets have a corresponding liability. Intangible asset activity for the years ended December 31, 2023 and 2022 were as follows:

	Balance 1/1/2023	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2023
Intangible assets, not being amortized:				
Construction in progress, City of Williston	\$ 3,643,765	\$ 212,937	\$ -	\$ 3,856,702
Total	<u>3,643,765</u>	<u>212,937</u>	<u>-</u>	<u>3,856,702</u>
Intangible assets, being amortized				
City of Williston	81,327,197	-	-	81,327,197
BDW Water System Association	151,108	-	-	151,108
R & T Water Supply Commerce Authority	11,778,830	-	-	11,778,830
McKenzie County Water Resource District	14,207,259	-	-	14,207,259
Direct Connections	4,656,140	-	-	4,656,140
Total	<u>112,120,534</u>	<u>-</u>	<u>-</u>	<u>112,120,534</u>
Less accumulated amortization				
City of Williston	6,581,845	821,487	-	7,403,332
BDW Water System Association	16,280	1,527	-	17,807
R & T Water Supply Commerce Authority	1,101,422	118,979	-	1,220,401
McKenzie County Water Resource District	1,392,713	143,507	-	1,536,220
Direct Connections	175,607	47,032	-	222,639
Total	<u>9,267,867</u>	<u>1,132,532</u>	<u>-</u>	<u>10,400,399</u>
Total intangible assets, net	<u>\$ 106,496,432</u>	<u>\$ (919,595)</u>	<u>\$ -</u>	<u>\$ 105,576,837</u>

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

	Balance 1/1/2022	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2022
Intangible assets, not being amortized:				
Construction in progress, City of Williston	\$ 2,469,885	\$ 1,173,880	\$ -	\$ 3,643,765
Total	<u>2,469,885</u>	<u>1,173,880</u>	<u>-</u>	<u>3,643,765</u>
Intangible assets				
City of Williston	81,113,180	214,017	-	81,327,197
BDW Water System Association	151,108	-	-	151,108
R & T Water Supply Commerce Authority	11,778,830	-	-	11,778,830
McKenzie County Water Resource District	14,207,259	-	-	14,207,259
Direct Connections	4,560,229	95,911	-	4,656,140
Total	<u>111,810,606</u>	<u>309,928</u>	<u>-</u>	<u>112,120,534</u>
Less accumulated amortization				
City of Williston	5,760,720	821,125	-	6,581,845
BDW Water System Association	14,754	1,526	-	16,280
R & T Water Supply Commerce Authority	982,442	118,980	-	1,101,422
McKenzie County Water Resource District	1,249,205	143,508	-	1,392,713
Direct Connections	129,246	46,361	-	175,607
Total	<u>8,136,367</u>	<u>1,131,500</u>	<u>-</u>	<u>9,267,867</u>
Total intangible assets, net	<u>\$ 106,144,124</u>	<u>\$ 352,308</u>	<u>\$ -</u>	<u>\$ 106,496,432</u>

Amortization expense on intangible assets for the years ended December 31, 2023 and 2022 totaled \$1,132,531 and \$1,131,500 respectively.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 9 LONG-TERM NOTES PAYABLE

The following is a summary of long-term debt transactions of the Authority for the years ended December 31, 2023 and 2022:

	1/1/23 Balance	Additions	Repayments	12/31/23 Balance	Unamortized Loan Fees	Interest Payable
1.5% fixed rate note to Bank of North Dakota, maturing January 25, 2036, interest only payments from February 25, 2016 to July 25, 2016, followed by monthly principal and interest payments starting August 25, 2016, secured by revenues and equipment.	\$ 6,629,708	\$ -	\$ 496,030	\$ 6,133,678	\$ 5,009	\$ -
Variable rate note to the Bank of North Dakota, maturing July 1, 2037, monthly principal and interest payments starting on August 1, 2017. Variable rate at 1.50% over 30 day LIBOR rate until March 2022 when it changed to one month Federal Home Loan Bank (FHLB) of Des Moines Fixed Advance Rate. The rate is adjustable monthly, with a 2.00% floor, secured by revenues and equipment. Interest rate at December 31, 2022 was 3.60%.	72,375,789	-	72,375,789	-	13,582	-
1.5% fixed rate note to Bank of North Dakota, maturing September 1, 2048, interest only payments from March 1, 2019 to August 1, 2019, followed by annual principal payments and bi-annual interest payments starting September 1, 2019, secured by revenues and equipment.	12,493,381	12,208	440,000	12,065,589	1,059	-
2% fixed rate note to Bank of North Dakota, maturing July 1, 2053, monthly principal and interest payments starting September 1, 2023, secured by refunding bond, series 2023.	-	42,487,034	538,591	41,948,443	8,610	-
1.5% fixed rate note to Bank of North Dakota, maturing September 1, 2051, interest only payments from March 1, 2021 to August 31, 2022, followed by annual principal payments and bi-annual interest payments starting September 1, 2022 secured by revenues and equipment.	7,098,139	1,834,832	415,000	8,517,971	-	-
Total	<u>\$ 98,597,017</u>	<u>\$ 44,334,074</u>	<u>\$ 74,265,410</u>	68,665,681	<u>\$ 28,260</u>	<u>\$ -</u>
Current portion				(2,437,325)		
Non-current portion				<u>\$ 66,228,356</u>		

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

	1/1/22 Balance	Additions	Repayments	12/31/22 Balance	Unamortized Loan Fees	Interest Payable
5% fixed rate note to the Bank of North Dakota, maturing June 30, 2029, monthly interest only payments from July 31, 2017 to June 30, 2021, followed by monthly principal and interest payments starting on July 31, 2021, secured by revenues and equipment. Note was refinanced in June 2017. Balance at time of refinance was \$25,000,000. Loan principal was fully repaid in 2017. Interest was suspended during the period from January 2016 to June 2017 and is payable in June 2029.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,873,288
5% fixed rate note to the Bank of North Dakota, maturing June 30, 2031, monthly interest only payments from July 31, 2017 to June 30, 2029, followed by monthly principal and interest payments starting on July 31, 2029, secured by revenues and equipment. Interest was suspended during the period from January 2016 to June 2018 and is payable in June 2031.	-	-	-	-	-	1,209,589
2.5% fixed rate note to the Bank of North Dakota, maturing June 30, 2036, interest only payments from January 31, 2015 to June 30, 2022, followed by monthly principal and interest payments starting on July 31, 2022, secured by revenues and equipment. Interest was suspended during the period from August 2017 to June 2018 and is payable in June 2036.	-	-	-	-	-	958,904
2.5% fixed rate note to the Bank of North Dakota, maturing June 30, 2036, interest only payments from January 31, 2015 to June 30, 2022, followed by monthly principal and interest payments starting on July 31, 2022, secured by revenues and equipment.	-	-	-	-	-	934,932

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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	1/1/22 Balance	Additions	Repayments	12/31/22 Balance	Unamortized Loan Fees	Interest Payable
1.5% fixed rate note to Bank of North Dakota, maturing January 25, 2036, interest only payments from February 25, 2016 to July 25, 2016, followed by monthly principal and interest payments starting August 25, 2016, secured by revenues and equipment.	\$ 7,118,396	\$ -	\$ 488,688	\$ 6,629,708	\$ 7,622	\$ -
Variable rate note to the Bank of North Dakota, maturing July 1, 2037, monthly principal and interest payments starting on August 1, 2017. Variable rate at 1.50% over 30 day LIBOR rate, adjustable monthly, with a 2.00% floor, secured by revenues and equipment. Interest was suspended during the period from April 2020 to December 2020 and is payable in June 2037. Interest rate at December 31, 2021 was 2.00%.	75,975,893	-	3,600,104	72,375,789	14,570	1,621,674
1.5% fixed rate note to Bank of North Dakota, maturing September 1, 2048, interest only payments from March 1, 2019 to August 1, 2019, followed by annual principal payments and bi-annual interest payments starting September 1, 2019, secured by revenues and equipment.	12,049,770	873,611	430,000	12,493,381	1,290	-
1.5% fixed rate note to Bank of North Dakota, maturing September 1, 2051, interest only payments from March 1, 2021 to August 31, 2022, followed by annual principal payments and bi-annual interest payments starting September 1, 2022 secured by revenues and equipment.	5,256,682	2,246,457	405,000	7,098,139	-	-
Total	<u>\$ 100,400,741</u>	<u>\$ 3,120,068</u>	<u>\$ 4,923,792</u>	98,597,017	<u>\$ 23,482</u>	<u>\$ 6,598,387</u>
Current portion				(4,495,392)		
Non-current portion				<u>\$ 94,101,625</u>		

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Loan covenants and collateral

Substantially all of the Authority's assets are pledged as collateral. The Authority complied with all covenants on their loans as of December 31, 2023 and 2022.

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

Year ending December 31,	Principal	Interest	Total
2024	\$ 2,437,325	\$ 1,203,538	\$ 3,640,863
2025	2,481,303	1,161,549	3,642,852
2026	2,530,826	1,118,715	3,649,541
2027	2,575,906	1,075,098	3,651,004
2028	2,626,555	1,030,686	3,657,241
2029-2033	13,893,115	4,456,344	18,349,459
2034-2038	13,017,140	3,271,741	16,288,881
2039-2043	11,783,176	2,218,680	14,001,856
2044-2048	9,372,603	1,230,343	10,602,946
2049-2053	7,947,732	348,256	8,295,988
Total	<u>\$ 68,665,681</u>	<u>\$ 17,114,950</u>	<u>\$ 85,780,631</u>

NOTE 10 ACCESS AND USE LIABILITIES

The Authority has entered into access and use agreements with their member entities. These agreements set forth the terms and conditions on which the members will permit the Authority to access and use identified infrastructure owned by the various members. As consideration of the agreements, the Authority is required to make payments equal to the amount of debt service requirements on loans identified in the agreements. These are carried at their present value.

The liability consists of the following:

	Balance 1/1/23	Additions	Repayments	Balance 12/31/23	Due Within One Year	Maturity Date	Interest Rate	Annual Installment
City of Williston								
2003 bond	\$ 230,000	\$ -	\$ 230,000	\$ -	\$ -	9/1/2023	2.50%	\$ 230,000
2006 bond	4,260,000	-	1,025,000	3,235,000	1,050,000	9/1/2026	2.50%	1,025,000 - 1,105,000
R & T Water Supply Commerce Authority								
2008 bond	205,000	-	30,000	175,000	35,000	9/1/2028	2.50%	30,000 - 35,000
2012 bond	4,485,000	-	410,000	4,075,000	420,000	9/1/2032	2.00%	410,000 - 500,000
McKenzie County Water Resource District								
McKenzie County Loan	2,526,218	-	225,538	2,300,680	231,020	4/16/2033	2.50%	225,000 - 281,000
USDA System Loan	1,963,075	-	36,461	1,926,614	37,357	7/30/2055	2.875%	36,000 - 91,000
USDA System Loan	1,161,411	-	22,063	1,139,348	22,584	7/30/2055	2.75%	22,000 - 53,000
ND Public Finance Loan	3,190,000	-	315,000	2,875,000	325,000	9/1/2031	2.50%	315,000 - 390,000
Total	<u>\$18,020,704</u>	<u>\$ -</u>	<u>\$2,294,062</u>	<u>\$15,726,642</u>	<u>\$2,120,961</u>			

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

	Balance 1/1/22	Additions	Repayments	Balance 12/31/22	Due Within One Year	Maturity Date	Interest Rate	Annual Installment
City of Williston								
2003 bond	\$ 455,000	\$ -	\$ 225,000	\$ 230,000	\$ 230,000	9/1/2023	2.50%	\$ 230,000
2006 bond	5,260,000	-	1,000,000	4,260,000	1,025,000	9/1/2026	2.50%	1,025,000 - 1,105,000
R & T Water Supply Commerce Authority								
2008 bond	235,000	-	30,000	205,000	30,000	9/1/2028	2.50%	30,000 - 35,000
2012 bond	4,885,000	-	400,000	4,485,000	410,000	9/1/2032	2.00%	410,000 - 500,000
McKenzie County Water Resource District								
McKenzie County Loan	2,746,256	-	220,038	2,526,218	225,539	4/16/2033	2.50%	225,000 - 281,000
USDA System Loan	1,998,517	-	35,442	1,963,075	36,461	7/30/2055	2.88%	36,000 - 91,000
USDA System Loan	1,182,884	-	21,473	1,161,411	22,063	7/30/2055	2.750%	22,000 - 53,000
ND Public Finance Loan	3,495,000	-	305,000	3,190,000	315,000	9/1/2031	2.50%	315,000 - 390,000
Total	<u>\$20,257,657</u>	<u>\$ -</u>	<u>\$ 2,236,953</u>	<u>\$18,020,704</u>	<u>\$2,294,063</u>			

Payments on access and use liabilities totaled \$2,294,063 and \$2,236,953 for the years ended December 31, 2023 and 2022, respectively.

The future required payments on access and use liabilities are provided below.

Year Ending December 31,	
2024	\$ 2,120,961
2025	2,178,827
2026	2,231,500
2027	1,154,372
2028	1,187,136
2029-2033	4,471,566
2034-2038	420,521
2039-2043	483,475
2044-2048	555,781
2049-2053	639,130
2054-2056	283,373
	<u>\$ 15,726,642</u>

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 11 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 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be 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.

WESTERN AREA WATER SUPPLY AUTHORITY
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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

WESTERN AREA WATER SUPPLY AUTHORITY
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Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2023 and 2022, the Authority reported a liability of \$1,435,565 and \$2,139,717, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, 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 0.07445 percent, which was an increase of 0.00016 percent from its proportion measured as of June 30, 2022. At June 30, 2022, the Authority's proportion was 0.07429 percent, which was an increase of 0.01308 percent from its proportion measured as of June 30, 2021.

For the years ended December 31, 2023 and 2022, the Authority recognized pension expense of \$88,229 and \$240,555, 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	\$ 46,732	\$ (7,917)
Changes of assumptions	791,586	(1,089,630)
Net difference between projected and actual earnings on pension plan investments	37,667	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,306	(119,844)
Employer contributions subsequent to the measurement date	35,127	-
Total	<u>\$ 1,055,418</u>	<u>\$ (1,217,391)</u>

\$35,127 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.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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	\$	(27,191)
2025		(142,539)
2026		55,260
2027		(82,630)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,161	\$ (40,872)
Changes of assumptions	1,279,582	(793,270)
Net difference between projected and actual earnings on pension plan investments	78,313	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	212,074	(220,278)
Employer contributions subsequent to the measurement date	38,839	-
Total	<u>\$ 1,619,969</u>	<u>\$ (1,054,420)</u>

\$38,839 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	\$	120,695
2024		146,200
2025		31,206
2026		228,609

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

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-2019 scale.

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	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.

WESTERN AREA WATER SUPPLY AUTHORITY
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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 6.50%, the municipal bond rate is 3.86%, and the resulting Single Discount Rate is 6.50%. For the purpose of the July 1, 2022 valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the 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	\$ 1,979,299	\$ 1,435,565	\$ 984,495
	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	\$ 2,824,279	\$ 2,139,717	\$ 1,577,715

Pension plan fiduciary net position

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

Payables to the pension plan

No amount was payable to the pension plan at fiscal year-end.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 12 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 the retirement benefits from the PERS, the HPRS, and Judges retired under 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 for NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB benefits

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

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

WESTERN AREA WATER SUPPLY AUTHORITY
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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 and 2022, the Authority reported a liability of \$57,829 and \$64,584, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2023 and 2022, respectively, 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 December 31, 2023, the Authority's proportion was 0.057843 percent, which was an increase of 0.004037 percent from its proportion measured as of December 31, 2022. At December 31, 2022, the Authority's proportion was 0.053806 percent, which was an increase of 0.001025 percent from its proportion measured as of December 31, 2021.

For the years ended December 31, 2023 and 2022, the Authority recognized OPEB expense of \$8,227 and \$7,271, respectively.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,088	\$ (662)
Changes of assumptions	12,333	(4,789)
Net difference between projected and actual earnings on OPEB plan investments	4,177	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,732	(7,822)
Employer contributions subsequent to the measurement date	<u>3,380</u>	<u>-</u>
Total	<u>\$ 24,710</u>	<u>\$ (13,273)</u>

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\$3,380 reported as deferred outflows of resources related to OPEB resulting from Authority contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension 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 pension expense as follows:

Year ending December 31:

2024	\$	1,536
2025		1,895
2026		5,913
2027		(1,287)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,530	\$ (555)
Changes of assumptions	16,268	-
Net difference between projected and actual earnings on OPEB plan investments	8,696	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,622	(12,150)
Employer contributions subsequent to the measurement date	<u>3,760</u>	<u>-</u>
Total	<u>\$ 32,876</u>	<u>\$ (12,705)</u>

\$3,760 reported as deferred outflows of resources related to OPEB resulting from Authority contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2023.

WESTERN AREA WATER SUPPLY AUTHORITY
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in pension expense as follows:

Year ending December 31:

2023	\$	3,292
2024		2,799
2025		3,219
2026		7,101

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	5.39%, 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-2019 scale.

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

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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%
Broad US Equity	0%	39%	0.00%	5.75%
International Equities	0%	26%	0.00%	6.00%
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-Plus Fixed Income	28%	35%	4.04%	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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the total 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 Authority's total 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	<u>\$ 76,001</u>	<u>\$ 57,829</u>	<u>\$ 42,530</u>
	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	<u>\$ 82,437</u>	<u>\$ 64,584</u>	<u>\$ 49,596</u>

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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 the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502-1657.

NOTE 13 RISK MANAGEMENT

The Authority is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Authority pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The Authority also participates in the North Dakota Fire and Tornado Fund. The Authority pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimated replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Authority with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Authority also has an additional employee dishonesty policy with Liberty Mutual which covers losses up to \$3,000,000.

The Authority continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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NOTE 14 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.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

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

WESTERN AREA WATER SUPPLY AUTHORITY
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NOTE 15 JOINT AGREEMENTS

Access and use agreements

The Authority has entered into access and use agreements with their member entities. These agreements set forth the terms and conditions on which the members will permit the Authority to access and use identified infrastructure owned by the various members. This includes infrastructure identified under sub-agreements with the cities of Watford City, Fortuna, Ray, Stanley, Tioga, Columbus, Noonan and Crosby. The members will be responsible for all repairs and maintenance of the access infrastructure identified in agreements. The members will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, ensuring compliance with applicable legal requirements, budgeting and accounting procedures, programs and other operational matters. The members retain ownership of the infrastructure unless purchase options are exercised. As consideration for the agreements, the Authority will make payments equal to the amount of debt service requirements on loans identified in the agreements. The members are also entitled to reimbursement for costs for operating and maintenance and approved capital expenditures as outlined in the agreements. The members bear the risk of loss to the infrastructure. The term of the agreements continue until the earlier of: (i) repayment of all the Authority's debt or ii) 99 years after the effective date of the agreement.

Infrastructure operating agreements

The Authority has entered into infrastructure operating agreements with each member entity and Watford City, Ross and Wildrose under sub-agreements. Under these agreements, the member will be responsible for all repairs and maintenance of infrastructure owned by the Authority as identified in each agreement. The members may also make approved capital expenditures with respect to the Authority's infrastructure in accordance with an approved budget. The members will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, programs and other operational matters. Under the agreements, the members are entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. The Authority will bear the risk of loss to the infrastructure. The agreements are in effect until the earlier of: (i) repayment of all of the Authority's debt or ii) 99 years after the effective date of the agreement.

Output agreements

The Authority has entered into output agreements with R&T Water Supply Commerce Authority, the City of Williston, and BDW Water System Association. These agreements set forth the terms and conditions upon which these members will sell the output of their facilities to the Authority. As consideration for the entire output of the treated water, the Authority will make payments equal to the debt service paid by the members during the term, approved operation and maintenance costs, capital expenditure reimbursements, and baseline 2010 industrial water sales revenue. Effective March 15, 2018, the agreement was amended to remove the requirement for WAWSA to accrue baseline sales if they do not have sufficient free cash flows to make the payments. The amendment also discharges WAWSA's requirement to pay past accrued amounts.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Water supply agreements

The Authority has entered into water supply agreements with each member entity and Watford City under a sub-agreement. Under these agreements, the members commit to purchasing water from the Authority. Subject to a minimum monthly quantity, peak instantaneous flow, and minimum pressure limitation set forth in the agreements, the Authority agrees to provide, pump, transmit and deliver treated water to the members. The members will pay for the water using an agreed upon base rate plus supplemental rate as outlined in the agreement, which is subject to change. These agreements are effective only when the Authority's water supply is connected at identified delivery points. The agreements remain in effect until all of the Authority's debt is repaid.

As part of the above agreements, all industrial water sales will be for the benefit of WAWSA. The members will be reimbursed an amount as outlined in the agreements based on their 2010 industrial water sales revenue if WAWSA has sufficient free cash flows.

Under the above agreements, the Authority has agreed to reimburse the member entities \$1,764,839 and \$1,522,234 for the purchase of water along with \$7,420,755 and \$6,390,601 for operations and maintenance during the years ended December 31, 2023 and 2022, respectively. Baseline sales reimbursements totaled \$899,646 during the year ended December 31, 2023. There were no baseline sales reimbursements made during the year ended December 31, 2022. During the years ended December 31, 2023 and 2022, debt payment reimbursements totaled \$2,898,497 and \$2,798,008, respectively, of which \$1,147,032 and \$2,236,953 was for principal. Of the above amounts, \$2,173,712 and \$1,106,913 was payable to the members for other operating reimbursements and is included in accounts payable as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Authority has net intangible assets representing the organization's right to use infrastructure owned by member entities of \$105,576,837 and \$106,496,432 respectively, which were originally valued at the present value of the future debt payments to be made to the member entities, as well as capital expenditure reimbursements. Intangible assets are amortized over the remaining period of 99 years from the effective date of the infrastructure operating agreements. Amortization for the years ended December 31, 2023 and 2022 was \$1,132,531 and \$1,131,496, respectively. The Authority also has access and use liabilities of \$15,726,642 and \$18,020,704 as of December 31, 2023 and 2022, respectively, which is the present value of future debt payments remaining to be made to the member entities.

Cost shared infrastructure

Effective January 1, 2016, the members agreed to share in the cost of a \$20,000,000 project to further build out the infrastructure. The members share in the cost based on the portion of the project that is within their service area. The Authority funded the entire project in 2016 by taking out a note payable from BND for \$10,000,000 and using \$10,000,000 of its own funds. Two of the members, R & T Water District and Northwest Rural Water District, agreed to each take out \$5,000,000 loans in their names. The proceeds from those loans were used to pay back the Authority.

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

In December 2018, the members agreed to share in the cost of a \$16,500,000 loan held in WAWSA's name bringing the total cost share amount to \$36,500,000. This loan was not fully funded as of December 31, 2023. Total amount funded under this loan as of December 31, 2023 and 2022 was \$13,360,589 and \$13,348,381, respectively. During 2019, WAWSA discovered that \$1,817,730 of costs for these projects were unable to be covered by the loan but is still the responsibility of the members entities.

In October 2020, the members agreed to share in the cost of an additional \$16,500,000 loan held in WAWSA's name bringing the total cost share amount to \$53,000,000. This loan was not fully funded as of December 31, 2023. The total amount funded under this loan as of December 31, 2023 and 2022 was \$9,337,981 and \$7,503,139, respectively.

The remaining receivable as of December 31, 2023 and 2022 was \$27,080,784 and \$26,948,320, respectively, and is recorded in the amount due from member entities account. Of this amount, \$1,741,851 is current.

The deferred inflows – member entities represent the unamortized portion of the future interest that the Authority has in the \$53,000,000 of cost shared infrastructure. The deferred inflow is amortized into income over a period of 20 to 30 years based on the life of the loans attached to the infrastructure. The Authority amortized \$1,710,824 and \$1,644,806 into income during the years ended December 31, 2023 and 2022, respectively. The new funding above, less the amount amortized into income, leaves deferred inflows – member entities of \$35,514,433 and \$35,378,218 as of December 31, 2023 and 2022, respectively. The following table summarizes the changes in the deferred inflow – member entities balance at December 31, 2023 and 2022:

	Deferred Inflow Balance 1/1/23	Additional Borrowings	Amortization	Deferred Inflow Balance 12/31/23	Maturity Date
Western Area Water Supply Authority					
2016 Loan - \$10,000,000	\$ 6,500,000	\$ -	\$ 500,000	\$ 6,000,000	1/25/2036
2018 Loan - \$16,500,000	13,969,655	12,208	559,275	13,422,588	9/1/2048
2020 Loan - \$16,500,000	7,075,231	1,834,832	318,215	8,591,848	9/1/2051
R & T Water Supply Commerce Authority					
2016 Loan - \$5,000,000	3,916,666	-	166,667	3,749,999	9/1/2046
Northwest Rural Water District					
2016 Loan - \$5,000,000	3,916,666	-	166,667	3,749,999	9/1/2046
Total	<u>\$ 35,378,218</u>	<u>\$ 1,847,040</u>	<u>\$ 1,710,824</u>	<u>\$ 35,514,434</u>	
	Deferred Inflow Balance 1/1/22	Additional Borrowings	Amortization	Deferred Inflow Balance 12/31/22	Maturity Date
Western Area Water Supply Authority					
2016 Loan - \$10,000,000	\$ 7,000,000	\$ -	\$ 500,000	\$ 6,500,000	1/25/2036
2018 Loan - \$16,500,000	13,654,830	873,611	558,786	13,969,655	9/1/2048
2020 Loan - \$16,500,000	5,081,460	2,246,457	252,686	7,075,231	9/1/2051
R & T Water Supply Commerce Authority					
2016 Loan - \$5,000,000	4,083,333	-	166,667	3,916,666	9/1/2046
Northwest Rural Water District					
2016 Loan - \$5,000,000	4,083,333	-	166,667	3,916,666	9/1/2046
Total	<u>\$ 33,902,956</u>	<u>\$ 3,120,068</u>	<u>\$ 1,644,806</u>	<u>\$ 35,378,218</u>	

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 16 COMMITMENTS

The Authority has entered into various contracts for infrastructure construction and improvements. The total costs of these projects are estimated to be approximately \$43,469,111 as of December 31, 2023. The Authority has used loans and grants to pay for the projects. As of December 31, 2023, the Authority had incurred and capitalized approximately \$29,781,624 in costs related to the projects. Estimated costs to complete the projects as of December 31, 2023 are \$13,687,487.

Engineering services – Effective January 1, 2019, the Authority entered into a contract with Advanced Engineering and Environmental Services, Inc. for professional services. The fee for the agreement will be hourly for basic engineering services and negotiated separately for each task order. The agreement was effective and applicable to task orders issued through December 31, 2022.

Facility leases – During 2019, the Authority entered into an agreement with McKenzie County to lease a building for 25 years. The Authority paid the entire lease balance of \$750,000 up front in 2019 and was recorded in prepaid rent. The lease commenced December 1, 2019. The Authority recognized expense on this lease of \$27,500 for the year ended December 31, 2022. The lease was terminated in 2021 and the Authority received payment for the unused portion of the lease.

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through September 4, 2024, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
LAST TEN 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	\$ 6,751	\$ (6,751)	\$ -	\$ 592,082	1.14%
2022	6,986	(6,986)	-	612,802	1.14%
2021	7,067	(7,067)	-	858,931	0.82%
2020	14,485	(14,485)	-	1,270,642	1.14%
2019	13,581	(13,581)	-	1,191,301	1.14%
2018	12,520	(12,520)	-	1,098,221	1.14%

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

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY
LAST TEN FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability	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	0.057843%	\$ 57,829	\$ 581,432	9.95%	62.74%
2022	0.053806%	64,584	555,491	11.63%	56.28%
2021	0.052781%	29,355	575,445	5.10%	76.63%
2020	0.066158%	55,652	754,183	7.38%	63.38%
2019	0.088452%	71,044	987,001	7.20%	63.13%
2018	0.082320%	64,833	900,757	7.20%	61.89%

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

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST TEN 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	\$ 70,058	\$ (70,058)	\$ -	\$ 929,645	7.54%
2022	72,225	(72,225)	-	958,972	7.53%
2021	63,880	(63,880)	-	858,931	7.44%
2020	90,470	(90,470)	-	1,270,642	7.12%
2019	84,821	(84,821)	-	1,191,301	7.12%
2018	78,193	(78,193)	-	1,098,221	7.12%
2017	73,490	(73,490)	-	1,032,167	7.12%
2016	74,094	(74,094)	-	1,040,648	7.12%
2015	63,008	(63,008)	-	884,945	7.12%

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

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.07445%	\$ 1,435,565	\$ 958,972	149.70%	65.31%
2022	0.07429%	2,139,717	862,429	248.10%	54.47%
2021	0.06121%	637,992	693,142	92.04%	78.26%
2020	0.07318%	2,302,101	807,206	285.19%	48.91%
2019	0.09489%	1,112,156	987,001	112.68%	63.53%
2018	0.08768%	1,479,713	900,757	164.27%	62.80%
2017	0.09637%	1,548,918	983,750	157.45%	61.98%
2016	0.10119%	985,503	1,019,044	96.71%	70.46%
2015	0.09097%	618,567	810,415	76.33%	77.15%

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

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023 AND 2022

NOTE 1 NDPERS 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 an 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 NDPERS 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

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal AL Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<i>Drinking Water State Revolving Fund Cluster-Cluster</i>			
United States Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	North Dakota Public Finance Authority, N/A	\$ 2,025,997
Total Capitalization Grants for Drinking Water State Revolving Funds			2,025,997
Total United States Environmental Protection Agency			2,025,997
<i>Total Drinking Water State Revolving Fund Cluster-Cluster</i>			<i>2,025,997</i>
<i>Total Expenditures of Federal Awards</i>			<i>\$ 2,025,997</i>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN AREA WATER SUPPLY AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 DE MINIMIS INDIRECT COST RATE

Western Area Water Supply Authority has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS FOR PRESENTATION

This accompanying schedule includes the federal award activity of Western Area Water Supply Authority under programs of the federal government for the year then ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Western Area Water Supply Authority, it is not intended to and does not present the financial position, change in net position, or cash flows of Western Area Water Supply Authority.

NOTE 4 RECONCILIATION TO FINANCIAL STATEMENTS

The following is a reconciliation between the amount presented on the schedule and amounts presented on the financial statements as of December 31, 2023.

Reconciliation to the Financial Statements	
Notes payable, December 31, 2022 (expended before 2022)	\$ 19,591,520
Advances during 2023 (expended during 2022)	164,345
Advances during 2023 (expended during 2023)	* 1,682,695
Principal payments during 2023	(855,000)
Notes payable, December 31, 2023	<u>20,583,560</u>
Advances during 2024 (expended during 2023)	* 343,302
Grant revenue	11,033,736
Non-federal grants	(11,033,736)
	* <u>-</u>
Total expended during 2023	* <u><u>\$ 2,025,997</u></u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2023

ASSETS

	Industrial	Domestic	Intercompany Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 3,629,683	\$ 25,716,085	\$ -	\$ 29,345,768
Accounts receivable (net of allowance of \$63,333 in 2023 and \$63,863 in 2022)	1,282,601	1,823,322	(69,596)	3,036,327
Current portion of amount due from Member entities	-	1,741,851	-	1,741,851
Supplies inventory	-	583,973	-	583,973
Prepaid expenses	-	79,909	-	79,909
Total current assets	<u>4,912,284</u>	<u>29,945,140</u>	<u>(69,596)</u>	<u>34,787,828</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	-	279,549,301	-	279,549,301
Intangible assets, net of accumulated amortization	-	105,576,837	-	105,576,837
Restricted cash, debt service	574,746	1,025,228	-	1,599,974
Amount due from Member entities, net	-	25,338,933	-	25,338,933
Total noncurrent assets	<u>574,746</u>	<u>411,490,299</u>	<u>-</u>	<u>412,065,045</u>
Total assets	<u>5,487,030</u>	<u>441,435,439</u>	<u>(69,596)</u>	<u>446,852,873</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - OPEB	-	24,710	-	24,710
Deferred outflow - pension	-	1,055,418	-	1,055,418
Total deferred outflows of resources	<u>-</u>	<u>1,080,128</u>	<u>-</u>	<u>1,080,128</u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION BY FUND - CONTINUED
DECEMBER 31, 2023

LIABILITIES

	Industrial	Domestic	Intercompany Eliminations	Total
Current liabilities:				
Accounts payable	\$ 969,243	\$ 4,686,859	\$ (69,596)	\$ 5,586,506
Other current liabilities	-	76,829	-	76,829
Due to Member entities	-	46,425	-	46,425
Current portion of access and use liabilities	-	2,120,961	-	2,120,961
Current portion of notes payable	-	2,437,325	-	2,437,325
Total current liabilities	<u>969,243</u>	<u>9,368,399</u>	<u>(69,596)</u>	<u>10,268,046</u>
Noncurrent liabilities:				
Access and use liabilities, net of current portion	-	13,605,681	-	13,605,681
Notes payable, net of current portion	-	66,228,356	-	66,228,356
Unamortized loan origination fees	-	(28,260)	-	(28,260)
OPEB liability	-	57,829	-	57,829
Net pension liability	-	1,435,565	-	1,435,565
Total noncurrent liabilities	<u>-</u>	<u>81,299,171</u>	<u>-</u>	<u>81,299,171</u>
Total liabilities	<u>969,243</u>	<u>90,667,570</u>	<u>(69,596)</u>	<u>91,567,217</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - Member entities	-	35,514,434	-	35,514,434
Deferred inflow - OPEB	-	13,273	-	13,273
Deferred inflow - pension	-	1,217,391	-	1,217,391
Deferred inflow - customers	1,027,972	-	-	1,027,972
Total deferred inflows of resources	<u>1,027,972</u>	<u>36,745,098</u>	<u>-</u>	<u>37,773,070</u>

NET POSITION

Net investment in capital and intangible assets	-	292,328,425	-	292,328,425
Restricted for debt service	574,746	1,025,228	-	1,599,974
Unrestricted	2,915,069	21,749,246	-	24,664,315
Total net position	<u>\$ 3,489,815</u>	<u>\$ 315,102,899</u>	<u>\$ -</u>	<u>\$ 318,592,714</u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2022

ASSETS

	Industrial	Domestic	Intercompany Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 1,901,141	\$ 21,618,035	\$ -	\$ 23,519,176
Accounts receivable (net of allowance of \$63,863 in 2022 and \$65,510 in 2021)	1,491,954	1,523,074	(389,046)	2,625,982
Current portion of amount due from Member entities	-	1,714,362	-	1,714,362
Supplies inventory	-	568,678	-	568,678
Prepaid expenses	-	60,264	-	60,264
Total current assets	<u>3,393,095</u>	<u>25,484,413</u>	<u>(389,046)</u>	<u>28,488,462</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	-	271,028,470	-	271,028,470
Intangible assets, net of accumulated amortization	-	106,496,432	-	106,496,432
Restricted cash	346,753	731,404	-	1,078,157
Amount due from Member entities, net	-	25,233,958	-	25,233,958
Total noncurrent assets	<u>346,753</u>	<u>403,490,264</u>	<u>-</u>	<u>403,837,017</u>
Total assets	<u>3,739,848</u>	<u>428,974,677</u>	<u>(389,046)</u>	<u>432,325,479</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - OPEB	-	32,876	-	32,876
Deferred outflow - pension	-	1,619,969	-	1,619,969
Total deferred outflows of resources	<u>-</u>	<u>1,652,845</u>	<u>-</u>	<u>1,652,845</u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF NET POSITION BY FUND - CONTINUED
DECEMBER 31, 2022

LIABILITIES

	Industrial	Domestic	Intercompany Eliminations	Total
Current liabilities:				
Accounts payable	\$ 389,046	\$ 1,477,301	\$ (389,046)	\$ 1,477,301
Other current liabilities	-	74,349	-	74,349
Current portion of access and use liabilities	-	2,294,063	-	2,294,063
Current portion of notes payable	-	4,495,392	-	4,495,392
Total current liabilities	<u>389,046</u>	<u>8,341,105</u>	<u>(389,046)</u>	<u>8,341,105</u>
Noncurrent liabilities:				
Access and use liabilities, net of current portion	-	15,726,641	-	15,726,641
Notes payable, net of current portion	-	94,101,625	-	94,101,625
Interest payable	6,598,387	-	-	6,598,387
Unamortized loan origination fees	-	(23,482)	-	(23,482)
OPEB liability	-	64,584	-	64,584
Net pension liability	-	2,139,717	-	2,139,717
Total noncurrent liabilities	<u>6,598,387</u>	<u>112,009,085</u>	<u>-</u>	<u>118,607,472</u>
Total liabilities	<u>6,987,433</u>	<u>120,350,190</u>	<u>(389,046)</u>	<u>126,948,577</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - Member entities	-	35,378,218	-	35,378,218
Deferred inflow - OPEB	-	12,705	-	12,705
Deferred inflow - pension	-	1,054,420	-	1,054,420
Deferred inflow - customer	1,190,730	-	-	1,190,730
Total deferred inflows of resources	<u>1,190,730</u>	<u>36,445,343</u>	<u>-</u>	<u>37,636,073</u>

NET POSITION

Net investment in capital and intangible assets	-	252,500,765	-	252,500,765
Restricted for debt service	346,753	731,404	-	1,078,157
Unrestricted	(4,785,068)	20,599,820	-	15,814,752
Total net position	<u>\$ (4,438,315)</u>	<u>\$ 273,831,989</u>	<u>\$ -</u>	<u>\$ 269,393,674</u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Industrial	Domestic	Total
OPERATING REVENUE			
Water sales	\$ 13,035,908	\$ 9,086,372	\$ 22,122,280
Billing and invoicing	-	129,258	129,258
Bulk commercial water reimbursement	-	144,562	144,562
Industrial water reimbursement	(4,251,397)	4,251,397	-
Total operating revenue	<u>8,784,511</u>	<u>13,611,589</u>	<u>22,396,100</u>
OPERATING EXPENSES			
Member entities operating reimbursement	899,646	-	899,646
Operating and maintenance	-	7,570,305	7,570,305
Professional fees	-	103,337	103,337
Purchase of water	-	1,764,839	1,764,839
Management fees	-	74,172	74,172
Administrative and general	1,377	269,007	270,384
Payroll and employee benefits	-	1,409,550	1,409,550
Communications and utilities	-	7,815	7,815
Transportation	-	100,960	100,960
Depreciation	-	6,199,496	6,199,496
Amortization	-	1,142,577	1,142,577
Total operating expenses	<u>901,023</u>	<u>18,642,058</u>	<u>19,543,081</u>
OPERATING INCOME (LOSS)	<u>7,883,488</u>	<u>(5,030,469)</u>	<u>2,853,019</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous income	13,819	91,005	104,824
Surcharge income	-	74,700	74,700
Interest income	4,421	774,985	779,406
Interest expense	(1,477,401)	(279,137)	(1,756,538)
Access and use principal payment reimbursement	(5,094,584)	5,094,584	-
Access and use interest and admin fee	-	(604,434)	(604,434)
Grant revenue	6,598,387	39,412,062	46,010,449
Amortization of Member entities deferred inflows	-	1,710,824	1,710,824
Gain on disposal of capital assets	-	26,790	26,790
Total nonoperating revenues (expenses)	<u>44,642</u>	<u>46,301,379</u>	<u>46,346,021</u>
CHANGE IN NET POSITION	<u>7,928,130</u>	<u>41,270,910</u>	<u>49,199,040</u>
NET POSITION - JANUARY 1	<u>(4,438,315)</u>	<u>273,831,989</u>	<u>269,393,674</u>
NET POSITION - DECEMBER 31	<u><u>\$ 3,489,815</u></u>	<u><u>\$ 315,102,899</u></u>	<u><u>\$ 318,592,714</u></u>

WESTERN AREA WATER SUPPLY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Industrial	Domestic	Total
OPERATING REVENUE			
Water sales	\$ 11,498,145	\$ 8,106,974	\$ 19,605,119
Billing and invoicing	-	107,371	107,371
Bulk commercial water reimbursement	-	90,504	90,504
Industrial water reimbursement	(3,730,320)	3,730,320	-
Total operating revenue	<u>7,767,825</u>	<u>12,035,169</u>	<u>19,802,994</u>
OPERATING EXPENSES			
Operating and maintenance	-	6,480,522	6,480,522
Professional fees	-	75,271	75,271
Purchase of water	-	1,522,234	1,522,234
Management fees	-	71,620	71,620
Administrative and general	680	235,447	236,127
Payroll and employee benefits	75,000	1,532,820	1,607,820
Communications and utilities	-	110,499	110,499
Transportation	-	113,478	113,478
Depreciation	-	6,101,599	6,101,599
Amortization	-	1,138,889	1,138,889
Total operating expenses	<u>75,680</u>	<u>17,382,379</u>	<u>17,458,059</u>
OPERATING INCOME (LOSS)	<u>7,692,145</u>	<u>(5,347,210)</u>	<u>2,344,935</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous income (expense)	519	120,904	121,423
Surcharge income	-	50,700	50,700
Interest income	6,505	63,943	70,448
Notes payable principal reimbursement	(3,600,104)	3,600,104	-
Interest expense	(2,098,451)	(3,833)	(2,102,284)
Access and use principal payment reimbursement	(2,891,521)	2,891,521	-
Access and use interest and admin fee	-	(561,056)	(561,056)
Grant revenue	-	8,893,816	8,893,816
Amortization of Member entities deferred inflows	-	1,644,806	1,644,806
Gain on disposal of capital assets	-	23,879	23,879
Total nonoperating revenues (expenses)	<u>(8,583,052)</u>	<u>16,724,784</u>	<u>8,141,732</u>
CHANGE IN NET POSITION	<u>(890,907)</u>	<u>11,377,574</u>	<u>10,486,667</u>
NET POSITION - JANUARY 1	<u>(3,547,408)</u>	<u>262,454,415</u>	<u>258,907,007</u>
NET POSITION - DECEMBER 31	<u><u>\$ (4,438,315)</u></u>	<u><u>\$ 273,831,989</u></u>	<u><u>\$ 269,393,674</u></u>

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

To the Board of Directors
Western Area Water Supply Authority
Williston, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Western Area Water Supply Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Western Area Water Supply Authority's basic financial statements, and have issued our report thereon dated September 4, 2024.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Area Water Supply 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*.

Western Area Water Supply Authority's Response to Findings

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

Purpose of this Report

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



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

September 4, 2024

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

To the Board of Directors
Western Area Water Supply Authority
Williston, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Area Water Supply Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Western Area Water Supply Authority's major federal programs for the year ended December 31, 2023. Western Area Water Supply Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Western Area Water Supply Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Western Area Water Supply Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Western Area Water Supply Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Western Area Water Supply Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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



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

September 4, 2024

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes X no

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2023

Section II. Findings Relating to Financial Statements

2023-001 *Preparation of Financial Statements – Material Weakness*

Criteria: An appropriate system of internal control requires the Authority to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

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

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

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

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

Indication of repeat finding: This is a repeat finding. See prior year finding 2022-001.

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

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2023

2023-002 *Segregation of Duties – Significant Deficiency*

Criteria:	Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.
Condition/Context:	The billing and collection functions of the Authority do not provide for an adequate segregation of duties.
Cause:	The Authority has a limited number of staff available due to the size of the organization.
Effect:	Under the current system, one individual has the ability to enter receipts, prepare and post payments, and reconcile the Authority's bank accounts.
Recommendation:	While the Authority does have some monitoring controls in place, we recommend that the Authority review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.
Indication of repeat finding:	This is a repeat finding. See prior year finding 2022-002.
View of responsible officials and corrective actions:	After the year end new procedures were put into place. Someone other than the individual who enters receipts, prepares and posts payments, and reconciles the Authority's bank accounts will review and approve the transactions, activity or reports each month.

Section III. Federal Award Findings and Questioned Costs

None

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2023

Section IV. Prior Year Findings Relating to Financial Statements

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

Criteria: An appropriate system of internal control requires the Authority to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

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

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

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

Status: This is a repeat finding. See current year finding 2023-001.

WESTERN AREA WATER SUPPLY AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
DECEMBER 31, 2023

2022-002 *Segregation of Duties – Significant Deficiency*

Criteria:	Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.
Condition/Context:	The billing and collection functions of the Authority do not provide for an adequate segregation of duties.
Cause:	The Authority has a limited number of staff available due to the size of the organization.
Effect:	Under the current system, one individual has the ability to enter receipts, prepare and post payments, and reconcile the Authority's bank accounts.
Status:	This is a repeat finding. See current year finding 2023-002.



WESTERN AREA WATER SUPPLY AUTHORITY

CORRECTIVE ACTION PLAN

Name of Auditee: Western Area Water Supply Authority

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

Audit Period: Year Ending December 31, 2023

2023-001 Preparation of Financial Statements – Material Weakness

A. Prior Year Findings

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

B. Comments on Findings and Recommendations

- We concur with the findings.

C. Actions Taken or Planned

- Will document review of financial statements and notes.

2023-002 Segregation of Duties – Significant Deficiency

A. Prior Year Findings

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

B. Comments on Findings and Recommendations

- We concur with the findings.

C. Actions Taken or Planned

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

Signed,

Cheryl McNeil, Financial Controller
Western Area Water Supply Authority
Ph: (701) 774-6605