

***South Central Regional Water District***

**Audit Report**

December 31, 2023 and 2022

**South Central Regional Water District**  
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December 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
South Central Regional Water District  
Bismarck, North Dakota

### Opinions

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

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

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 South Central Regional Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such 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. 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024, on our consideration of South Central Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 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 South Central Regional Water District's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
April 16, 2024

South Central Regional Water District  
Management's Discussion and Analysis  
December 31, 2023

This discussion and analysis is designed to provide an analysis of South Central Regional Water District's (SCRWD) financial condition and operating results and inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Independent Auditor's Report (Pages 1-3) and the District's basic financial statements (Pages 9-11).

**Financial Highlights – Business-type Activities**

- For the year ended December 31, 2023, the net position increased \$1,377,786.
- For the year ended December 31, 2022, the net position increased \$1,433,974.
- Total operating revenues decreased to \$8,222,376 during 2023, a \$335,338 or 3.92% decrease from 2022. Total operating revenues decreased to \$8,557,714 during 2022, a \$640,655 or 6.96% decrease from 2021.
- In 2023, grant revenue increased by \$358,557. In 2022, grant revenue decreased by \$208,894.
- Total operating expenses during 2023 were \$7,040,212; 6.86% more than 2022's expenses.
- Total operating expenses during 2022 were \$6,588,252; 4.43% less than 2021's expenses.
- Total water plant assets, less accumulated depreciation, plus construction in progress were \$107,009,710 in 2023 compared to \$108,634,571 in 2022.
- Outstanding long-term debt at December 31, 2023 decreased to \$22,820,155 from \$24,580,514 at December 31, 2022.

**Using this Annual Report**

The financial statements included in this annual report are those of a special purpose government engaged only in business-type activities. The District's financial statements include:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Fund Net Position
- Statements of Cash Flows

Notes to financial statements explain the accounting policies and provide more detailed data.

**Statements of Net Position**

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Current Assets	\$ 11,406,868	\$ 10,287,989
Investments	2,477,285	2,417,417
Capital Assets	107,009,710	108,634,571
Other Assets	1,239,066	1,268,976
Total Assets	<u>122,132,929</u>	<u>122,608,953</u>
<b>Liabilities</b>		
Current Liabilities	2,208,644	2,136,073
Long-term Debt, Less Current Maturities	22,626,617	24,552,998
Total Liabilities	<u>24,835,261</u>	<u>26,689,071</u>
<b>Net Position</b>		
Net Investment in Capital Assets	84,189,555	84,054,057
Restricted, Nonexpendable for Debt Service	2,387,717	2,328,427
Unrestricted	10,720,396	9,537,398
Total Net Position	<u>\$ 97,297,668</u>	<u>\$ 95,919,882</u>

The net position and liabilities of South Central Regional Water District decreased to \$122,132,929 in 2023, a \$476,024 decrease from 2022. There is a restricted asset of \$2,387,717 for debt service reserve.

South Central Regional Water District  
Management's Discussion and Analysis  
December 31, 2023

	December 31, 2022	December 31, 2021
<b>Assets</b>		
Current Assets	\$ 10,287,989	\$ 8,950,495
Investments	2,417,417	2,363,786
Capital Assets	108,634,571	110,153,847
Other Assets	1,268,976	1,274,547
Total Assets	<u>122,608,953</u>	<u>122,742,675</u>
<b>Liabilities</b>		
Current Liabilities	2,136,073	2,080,313
Long-term Debt, Less Current Maturities	24,552,998	26,176,454
Total Liabilities	<u>26,689,071</u>	<u>28,256,767</u>
<b>Net Position</b>		
Net Investment in Capital Assets	84,054,057	83,853,905
Restricted, Nonexpendable for Debt Service	2,328,427	2,275,634
Unrestricted	9,537,398	8,356,369
Total Net Position	<u>\$ 95,919,882</u>	<u>\$ 94,485,908</u>

The net position and liabilities of South Central Regional Water District decreased to \$122,608,953 in 2022, a \$133,722 decrease from 2021. There is a restricted asset of \$2,328,427 for debt service reserve.

### Review of Revenues and Expenses

In 2023, operating revenues decreased \$335,338 from 2022 due to decreased water sales and fees. The non-operating revenue increased by \$682,347 due to more grant funds and interest income received.

The District's operating expenses increased by \$451,960 or 6.86% from 2022 to 2023.

Depreciation expense was \$1,994,660 in 2023 and \$2,009,597 in 2022.

The net income before non-operating activities is \$1,182,164 and \$1,969,462 for 2023 and 2022, respectively. Grant revenues of \$436,707 in 2023 and \$78,150 in 2022 were received from the ND State Water Commission and ARPA from Burleigh County.

In 2022, operating revenues decreased \$640,655 from 2021 due to decreased water sales. The non-operating revenue decreased by \$103,165 due to less grant funds received.

The District's operating expenses decreased by \$305,051 or 4.43% from 2021 to 2022.

Depreciation expense was \$2,009,579 in 2022 and \$2,009,649 in 2021.

The net income before non-operating activities is \$1,969,462 and \$2,305,066 for 2022 and 2021, respectively. Grant revenues of \$78,150 in 2022 and \$287,044 in 2021 were received from the State MR&I Grant Program and ARPA from Burleigh County.

South Central Regional Water District  
Management's Discussion and Analysis  
December 31, 2023

	December 31, 2023	December 31, 2022
Operating Revenue		
Metered Sales	\$ 7,613,955	\$ 7,720,720
Waste Water Income	127,326	89,732
Connection Fees	176,668	251,311
Connection Fees - Waste Water	4,000	14,000
Advance for Construction	251,107	434,146
Other Service Revenues	49,320	47,805
Total Operating Revenue	<u>8,222,376</u>	<u>8,557,714</u>
Non-Operating Revenues		
Grant Revenue	436,707	78,150
Interest Income	441,430	114,640
Gain/(Loss) on Disposition	17,000	20,000
Total Non-Operating Revenue	<u>895,137</u>	<u>212,790</u>
Total Revenues	<u>\$ 9,117,513</u>	<u>\$ 8,770,504</u>
	December 31, 2023	December 31, 2022
Operating Expenses		
Purchased Water	\$ 519,064	\$ 640,326
Depreciation	1,994,660	2,009,597
Plant Operations and Maintenance	2,171,326	1,961,921
Expansion Promotion	-	20
General and Administrative Salaries	453,022	446,729
Accounting and Collection Labor	233,193	229,858
Amortization	56,900	56,900
Leases	19,503	18,583
Employee Benefits	394,084	351,767
Mapping Labor	10,426	9,000
Taxes Other Than Income	108,371	101,801
Transportation	99,750	81,000
Outside Services Employed	113,213	94,121
Purchased Power	505,993	283,492
Membership Functions	30,130	25,136
Miscellaneous General	28,558	27,066
Office Supplies	47,245	38,420
Property and Liability Insurance	51,667	50,550
Building Expense and Maintenance	62,929	44,480
Waste Water	83,020	58,964
Water Testing	46,812	41,192
Miscellaneous Tools Expense	10,346	17,329
Total Operating Expenses	<u>7,040,212</u>	<u>6,588,252</u>
Non-Operating Expenses		
Interest on Long-term Debt	637,055	680,949
Bond Administration Costs	62,460	67,329
Total Non-Operating Expenses	<u>699,515</u>	<u>748,278</u>
Total Expenses	<u>\$ 7,739,727</u>	<u>\$ 7,336,530</u>



South Central Regional Water District  
Management's Discussion and Analysis  
December 31, 2023

	December 31, 2022	December 31, 2021
Operating Revenue		
Metered Sales	\$ 7,720,720	\$ 8,241,278
Waste Water Income	89,732	78,913
Connection Fees	251,311	365,250
Connection Fees - Waste Water	14,000	16,000
Advance for Construction	434,146	452,666
Other Service Revenues	47,805	44,262
Total Operating Revenue	<u>8,557,714</u>	<u>9,198,369</u>
Non-Operating Revenues		
Grant Revenue	78,150	287,044
Interest Income	114,640	28,911
Gain/(Loss) on Disposition	20,000	-
Total Non-Operating Revenue	<u>212,790</u>	<u>315,955</u>
Total Revenues	<u>\$ 8,770,504</u>	<u>\$ 9,514,324</u>
	December 31, 2022	December 31, 2021
Operating Expenses		
Purchased Water	\$ 640,326	\$ 845,100
Depreciation	2,009,597	2,009,649
Plant Operations and Maintenance	1,961,921	2,012,386
Expansion Promotion	20	-
General and Administrative Salaries	446,729	364,641
Accounting and Collection Labor	229,858	224,986
Amortization	56,900	56,900
Leases	18,583	18,405
Employee Benefits	351,767	317,857
Mapping Labor	9,000	7,589
Taxes Other Than Income	101,801	94,590
Transportation	81,000	67,557
Outside Services Employed	94,121	57,755
Purchased Power	283,492	559,510
Membership Functions	25,136	22,253
Miscellaneous General	27,066	23,563
Office Supplies	38,420	39,374
Property and Liability Insurance	50,550	44,070
Building Expense and Maintenance	44,480	28,067
Waste Water	58,964	61,309
Water Testing	41,192	32,710
Miscellaneous Tools Expense	17,329	5,032
Total Operating Expenses	<u>6,588,252</u>	<u>6,893,303</u>
Non-Operating Expenses		
Returned Excess EMC Insurance Proceeds	-	94,923
Interest on Long-term Debt	680,949	722,672
Bond Administration Costs	67,329	72,027
Total Non-Operating Expenses	<u>748,278</u>	<u>889,622</u>
Total Expenses	<u>\$ 7,336,530</u>	<u>\$ 7,782,925</u>

South Central Regional Water District  
Management's Discussion and Analysis  
December 31, 2023

**Capital Assets**

The District's water plant and system at December 31, 2023 increased to \$136,057,762 from \$135,742,693 at December 31, 2022 due to completion of intake project and beginning projects in Ashley, McIntosh tank and Hawktree tank projects. The District has construction in progress at December 31, 2023 of \$135,473 and \$106,085 at December 31, 2022.

The District's water plant and system at December 31, 2022 increased to \$135,742,693 from \$135,357,634 at December 31, 2021 due to completion of the Apple Creek North Tank and the prefiltration building project. The District has construction in progress at December 31, 2022 of \$106,085 and \$30,017 at December 31, 2021.

These projects have been funded with a State Revolving Fund Loan and interim financing through the ND Rural Water Finance Corporation. See Note 5 to the financial statements for additional information.

**Long-Term Debt**

The District's long-term debt, less current maturities as of December 31, 2023 is \$21,013,226 compared to \$22,820,155 in 2022. The District is in the process of making improvements within the system for additional treated water availability and distribution pipeline to keep pace with growth within the system and is expanding into McIntosh County. The debt change during 2023 was due to payments made on the bonds during the year.

**Economic and Other Factors**

The growth in rural Burleigh County, near the city of Bismarck, continues to be the primary location for additional customers to the District. Although growth has slowed from the addition of 200 new homes per year that was experienced 15 years ago, the growth does continue. From 2016 through 2020 the District added 80 new homes per year. In 2022 and 2021, 82 new customers and 100 new customers, respectively, were added in Burleigh County. One new large subdivision is under construction, and we anticipate it will have a positive impact for the District.

**Financial Contact**

The District's financial statements are a general overview of the District's finances and are to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the Executive Director: Larry Kassian, at South Central Regional Water District, P.O. Box 4182, Bismarck, ND 58502-4182. Or contact him by telephone at 701-258-8710 or e-mail to [LKassian@southcentralwaternd.com](mailto:LKassian@southcentralwaternd.com).

SOUTH CENTRAL REGIONAL WATER DISTRICT

Statements of Net Position  
December 31, 2023 and 2022

ASSETS	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,721,966	\$ 9,637,537
Accounts Receivable, Net	380,684	362,512
Accounts Receivable - Other	119,734	124,275
Inventory	127,208	115,454
Prepaid Expenses	43,635	44,999
Interest Receivable	13,641	3,212
Total Current Assets	11,406,868	10,287,989
<b>INVESTMENTS</b>		
Certificates of Deposit	89,568	88,990
Reserved for Debt Service	2,387,717	2,328,427
Total Investments	2,477,285	2,417,417
<b>CAPITAL ASSETS</b>		
Construction in Progress	135,473	106,085
Water Treatment Plant & System	136,057,762	135,742,693
Less: Accumulated Depreciation	(29,183,525)	(27,214,207)
Net Capital Assets	107,009,710	108,634,571
<b>OTHER ASSETS</b>		
Deferred Debits		
Water Supply Agreement, Net	747,553	804,453
Patronage Capital Credits	491,513	464,523
Total Other Assets	1,239,066	1,268,976
<b>TOTAL ASSETS</b>	122,132,929	122,608,953
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,600	1,600
Accrued Interest	160,373	171,823
Accrued Vacation and Benefits Payable	121,421	103,101
Advances for Expansion	18,000	18,000
Loans and Bonds Payable, Current Portion	1,806,929	1,760,359
Unearned Revenue - Base Fees, Current Portion	100,321	81,190
Total Current Liabilities	2,208,644	2,136,073
<b>NONCURRENT LIABILITIES</b>		
Loans and Bonds Payable, Noncurrent Portion	21,013,226	22,820,155
Unearned Revenue - Base Fees, Noncurrent Portion	1,613,391	1,732,843
Total Noncurrent Liabilities	22,626,617	24,552,998
<b>TOTAL LIABILITIES</b>	24,835,261	26,689,071
<b>NET POSITION</b>		
Net Investment in Capital Assets	84,189,555	84,054,057
Restricted, Nonexpendable for Debt Service	2,387,717	2,328,427
Unrestricted	10,720,396	9,537,398
<b>TOTAL NET POSITION</b>	\$ 97,297,668	\$ 95,919,882

SOUTH CENTRAL REGIONAL WATER DISTRICT  
Statements of Revenues, Expenses, and Changes in Fund Net Position  
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Metered Sales	\$ 7,613,955	\$ 7,720,720
Waste Water Income	127,326	89,732
Forfeited Discounts	36,574	34,111
Connection Fees	176,668	251,311
Connection Fees - Waste Water	4,000	14,000
Advance for Construction	251,107	434,146
Miscellaneous Service Revenues	12,746	13,694
Total Operating Revenue	<u>8,222,376</u>	<u>8,557,714</u>
OPERATING EXPENSES		
Purchased Water	519,064	640,326
Depreciation	1,994,660	2,009,597
Plant Operations and Maintenance	2,171,326	1,961,921
Expansion Promotion	-	20
General and Administrative Salaries	453,022	446,729
Accounting and Collection Labor	233,193	229,858
Amortization	56,900	56,900
Leases	19,503	18,583
Employee Benefits	394,084	351,767
Mapping Labor and Supply	10,426	9,000
Taxes Other Than Income	108,371	101,801
Transportation	99,750	81,000
Outside Services Employed	113,213	94,121
Purchased Power	505,993	283,492
Membership Functions	30,130	25,136
Miscellaneous General	28,558	27,066
Office Supplies	47,245	38,420
Property and Liability Insurance	51,667	50,550
Building Expense and Maintenance	62,929	44,480
Waste Water	83,020	58,964
Water Testing	46,812	41,192
Miscellaneous Tools Expense	10,346	17,329
Total Operating Expenses	<u>7,040,212</u>	<u>6,588,252</u>
OPERATING INCOME (LOSS)	<u>1,182,164</u>	<u>1,969,462</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	436,707	78,150
Interest Income	441,430	114,640
Gain/(Loss) on Disposition	17,000	20,000
Bond Administration Costs	(62,460)	(67,329)
Interest on Long-term Debt	(637,055)	(680,949)
Total Non-Operating Revenues (Expenses)	<u>195,622</u>	<u>(535,488)</u>
CHANGE IN NET POSITION	1,377,786	1,433,974
NET POSITION - BEGINNING OF YEAR	<u>95,919,882</u>	<u>94,485,908</u>
NET POSITION - END OF YEAR	<u><u>\$ 97,297,668</u></u>	<u><u>\$ 95,919,882</u></u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Operating cash receipts from customers	\$ 7,927,756	\$ 8,410,088
Proceeds from connection fees	180,668	265,311
Cash payments to suppliers for goods and services	(3,609,838)	(3,246,363)
Cash payments to employees for services	(1,370,884)	(1,294,431)
NET CASH FROM OPERATING ACTIVITIES	<u>3,127,702</u>	<u>4,134,605</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	(86,855)	(104,960)
Interest received	431,001	113,090
NET CASH FROM INVESTING ACTIVITIES	<u>344,146</u>	<u>8,130</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to plant	(352,802)	(470,321)
Interest payment on debt	(648,505)	(691,917)
Principal payments on long-term debt	(1,760,359)	(1,719,428)
Bond administration costs	(62,460)	(67,329)
Grant proceeds	436,707	78,150
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,387,419)</u>	<u>(2,870,845)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,084,429	1,271,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,637,537</u>	<u>8,365,647</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 10,721,966</u></u>	<u><u>\$ 9,637,537</u></u>
OPERATING ACTIVITIES RECONCILIATION		
Operating income (loss)	\$ 1,182,164	\$ 1,969,462
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	2,051,560	2,066,497
Changes in assets and liabilities		
(Increase) decrease in receivables	(13,631)	(46,000)
(Increase) decrease in inventory	(11,754)	(25,325)
(Increase) decrease in prepaid expenses	1,364	7,271
Increase (decrease) in unearned revenue - base fees	(100,321)	163,685
Increase (decrease) in accrued expenses	18,320	(985)
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 3,127,702</u></u>	<u><u>\$ 4,134,605</u></u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations* - The District was organized and formally incorporated as of November 15, 1972, for the express purpose of providing water service in the state of North Dakota for the use and benefit of its members on a cooperative basis. Effective February 1, 2003, the organization reorganized as a water district under the authority of the North Dakota Century Code.

*Reporting Entity* - The accompanying financial statements present the activities of South Central Regional Water District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of South Central Regional Water District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on South Central Regional Water District.

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

*Basis of Presentation* - Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the full scope of the District's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements. Business-type activities use the accrual basis of accounting and the measurement focus is the flow of economic resources. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Board follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States for government entities.

*Revenue and Expense Recognition* - The District presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the District. Operating revenues include all charges to customers. Revenues from interest income and other fees are considered non-operating since these are investing or financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital, or non-capital financing activities.

Revenue is reflected in the accounts only at the time such revenue is actually billed to customers. Accordingly, the revenues related to water delivered but not billed are not accrued. Contributions and revenues which finance either capital or current operations are reported as other income instead of operating revenue.

*Water Plant* - Water plant is stated at cost. The cost of additions to water plant includes contracted work, direct labor and materials, and allocable overhead. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated provision for depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense. The capitalization policy for additions is set at \$5,000.

*Depreciation* - The District depreciates the components of water plant in service on a straight-line basis over 4-75 years.

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Cash, Cash Equivalents and Investments*

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased. Investments are stated at fair value and the District is authorized by the board to invest in short-term and long-term certificates of deposit.

State statutes authorize the District 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 written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above; c) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state; d) Obligations of the state. Investments are stated at fair value for debt securities as required by GASB 31 and cost for certificates of deposit. All investments are reported at current fair market value.

The District has not adopted a policy limiting the amount that can be invested with any one issuer.

*Accounts Receivable* - Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Customer account balances with invoices dated over 60 days old are considered delinquent. Payments of trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management's estimate is based on past history of write-offs and the balance of uncollectible accounts greater than ninety days past due. The estimated allowance at December 31, 2023 and 2022 was \$500.

*Inventory* - Inventories are stated at cost.

*Compensated Absences* - Employees accrue vacation hours yearly based on years of service which is granted on their anniversary date. Unused vacation may be carried over upon the anniversary date up to a maximum of 240 hours. Upon separation of employment, eligible employees will receive payment for accrued hours at their current pay rate.

*Retirement Plan* - The policy is to contribute monthly to the defined contribution plan.

*Net Position* - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the assets use either through the enabling legislation adopted by the water district board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Subsequent Events* – The District has evaluated subsequent events through April 16, 2024, the date which the financial statements were available to be issued.

**NOTE 2 - DEPOSITS**

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

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

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

As of December 31, 2023, the District's carrying balances were \$13,199,251. The bank balance of these deposits as of December 31, 2023 was \$13,654,550. Of the bank balances, \$2,637,716 was covered by Federal Depository Insurance or guaranteed by the state of North Dakota and \$11,016,834 was collateralized with securities held by the District's agent but not in the District's name.

**NOTE 3 - INVESTMENTS**

At December 31, 2023, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 0.65 percent to 2.30 percent with terms from six months to two years.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of trade receivables from the billing of water supplied to customers and construction fees billed but not received as of year-end.



SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 5 – WATER PLANT**

**As of December 31, 2023:**

	<u>Balance 1/1/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/23</u>
<b>Water Plant Cost</b>				
<u>Source of Supply</u>				
Wells and Springs	\$ 3,114,659	\$ 106,085	\$ -	\$ 3,220,744
Wells and Springs - Emmons	2,775,713	-	-	2,775,713
Supply Mains	414,334	-	-	414,334
	<u>6,304,706</u>	<u>106,085</u>	<u>-</u>	<u>6,410,791</u>
<u>Pumping Plant</u>				
Structure and Improvements	111,916	-	-	111,916
Structure and Improvements - Emmons	212,906	-	-	212,906
Electric Pumping Equipment	253,153	-	-	253,153
	<u>577,975</u>	<u>-</u>	<u>-</u>	<u>577,975</u>
<u>Water Treatment</u>				
Structure and Improvements	9,894,366	-	-	9,894,366
Structure and Improvements - Emmons	7,969,046	-	-	7,969,046
Water Treatment Equipment	6,606,365	-	-	6,606,365
Water Treatment Equipment - Emmons	4,676,763	-	-	4,676,763
	<u>29,146,540</u>	<u>-</u>	<u>-</u>	<u>29,146,540</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	471,709	-	-	471,709
Distribution Reservoirs	4,949,419	-	-	4,949,419
Distribution Reservoirs - Emmons	3,091,132	-	-	3,091,132
Transmission and Distribution	31,419,435	52,178	-	31,471,613
Transmission and Distribution - Emmons	51,391,574	-	-	51,391,574
Service	2,548,204	-	-	2,548,204
Meter Units	3,530,799	136,695	-	3,667,494
	<u>97,402,272</u>	<u>188,873</u>	<u>-</u>	<u>97,591,145</u>
<u>General Plant</u>				
Furniture and Equipment	264,170	-	-	264,170
Transportation Equipment	265,996	45,453	25,342	286,107
Transportation Equipment - Emmons	90,607	-	-	90,607
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	549,733	-	-	549,733
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	94,638	-	-	94,638
Miscellaneous Equipment - Emmons	6,950	-	-	6,950
Building	909,361	-	-	909,361
	<u>2,223,242</u>	<u>45,453</u>	<u>25,342</u>	<u>2,243,353</u>
<u>Nondepreciable Property</u>				
Land and Land Rights	87,958	-	-	87,958
Construction in Progress	106,085	135,473	106,085	135,473
	<u>194,043</u>	<u>135,473</u>	<u>106,085</u>	<u>223,431</u>
 Total Water Plant in Service Cost	 <u>135,848,778</u>	 <u>475,884</u>	 <u>131,427</u>	 <u>136,193,235</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 5 – WATER PLANT CONTINUED**

	<u>Balance 1/1/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/23</u>
<b>Less Accumulated Depreciation</b>				
<u>Source of Supply</u>				
Wells and Springs	575,417	40,848	-	616,265
Wells and Springs - Emmons	370,100	37,009	-	407,109
Supply Mains	103,227	5,924	-	109,151
	<u>1,048,744</u>	<u>83,781</u>	<u>-</u>	<u>1,132,525</u>
<u>Pumping Plant</u>				
Structure and Improvements	55,737	1,493	-	57,230
Structure and Improvements - Emmons	20,830	2,839	-	23,669
Electric Pumping Equipment	250,807	587	-	251,394
	<u>327,374</u>	<u>4,919</u>	<u>-</u>	<u>332,293</u>
<u>Water Treatment</u>				
Structure and Improvements	1,463,965	134,462	-	1,598,427
Structure and Improvements - Emmons	1,061,318	106,254	-	1,167,572
Water Treatment Equipment	2,918,749	70,601	-	2,989,350
Water Treatment Equipment - Emmons	623,570	62,357	-	685,927
	<u>6,067,602</u>	<u>373,674</u>	<u>-</u>	<u>6,441,276</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	237,118	6,290	-	243,408
Distribution Reservoirs	967,468	66,224	-	1,033,692
Distribution Reservoirs - Emmons	343,160	36,766	-	379,926
Transmission and Distribution	8,618,352	448,310	-	9,066,662
Transmission and Distribution - Emmons	5,390,775	685,220	-	6,075,995
Service	968,679	36,403	-	1,005,082
Meter Units	2,136,132	153,435	-	2,289,567
	<u>18,661,684</u>	<u>1,432,648</u>	<u>-</u>	<u>20,094,332</u>
<u>General Plant</u>				
Furniture and Equipment	264,171	-	-	264,171
Transportation Equipment	197,806	48,774	25,342	221,238
Transportation Equipment - Emmons	76,879	13,728	-	90,607
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	88,104	7,102	-	95,206
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	64,558	5,995	-	70,553
Miscellaneous Equipment - Emmons	6,255	695	-	6,950
Building	369,243	23,344	-	392,587
	<u>1,108,803</u>	<u>99,638</u>	<u>25,342</u>	<u>1,183,099</u>
 Total Accumulated Depreciation	 <u>27,214,207</u>	 <u>1,994,660</u>	 <u>25,342</u>	 <u>29,183,525</u>
 Water Plant in Service, Net	 <u>\$ 108,634,571</u>	 <u>\$ (1,518,776)</u>	 <u>\$ 106,085</u>	 <u>\$ 107,009,710</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 5 – WATER PLANT CONTINUED**

**As of December 31, 2022:**

	<u>Balance 1/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/22</u>
<b>Water Plant Cost</b>				
<u>Source of Supply</u>				
Wells and Springs	\$ 3,114,659	\$ -	\$ -	\$ 3,114,659
Wells and Springs - Emmons	2,775,713	-	-	2,775,713
Supply Mains	414,334	-	-	414,334
	<u>6,304,706</u>	<u>-</u>	<u>-</u>	<u>6,304,706</u>
<u>Pumping Plant</u>				
Structure and Improvements	111,916	-	-	111,916
Structure and Improvements - Emmons	212,906	-	-	212,906
Electric Pumping Equipment	253,153	-	-	253,153
	<u>577,975</u>	<u>-</u>	<u>-</u>	<u>577,975</u>
<u>Water Treatment</u>				
Structure and Improvements	9,830,502	63,864	-	9,894,366
Structure and Improvements - Emmons	7,969,046	-	-	7,969,046
Water Treatment Equipment	6,606,365	-	-	6,606,365
Water Treatment Equipment - Emmons	4,676,763	-	-	4,676,763
	<u>29,082,676</u>	<u>63,864</u>	<u>-</u>	<u>29,146,540</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	471,709	-	-	471,709
Distribution Reservoirs	4,780,705	168,714	-	4,949,419
Distribution Reservoirs - Emmons	3,091,132	-	-	3,091,132
Transmission and Distribution	31,419,435	-	-	31,419,435
Transmission and Distribution - Emmons	51,391,574	-	-	51,391,574
Service	2,548,204	-	-	2,548,204
Meter Units	3,393,485	137,314	-	3,530,799
	<u>97,096,244</u>	<u>306,028</u>	<u>-</u>	<u>97,402,272</u>
<u>General Plant</u>				
Furniture and Equipment	264,170	-	-	264,170
Transportation Equipment	250,830	44,362	29,196	265,996
Transportation Equipment - Emmons	90,607	-	-	90,607
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	549,733	-	-	549,733
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	94,638	-	-	94,638
Miscellaneous Equipment - Emmons	6,950	-	-	6,950
Building	909,361	-	-	909,361
	<u>2,208,076</u>	<u>44,362</u>	<u>29,196</u>	<u>2,223,242</u>
<u>Nondepreciable Property</u>				
Land and Land Rights	87,958	-	-	87,958
Construction in Progress	30,017	106,085	30,017	106,085
	<u>117,975</u>	<u>106,085</u>	<u>30,017</u>	<u>194,043</u>
 Total Water Plant in Service Cost	 <u>135,387,652</u>	 <u>520,339</u>	 <u>59,213</u>	 <u>135,848,778</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 5 – WATER PLANT CONTINUED**

	<u>Balance 1/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/22</u>
<b>Less Accumulated Depreciation</b>				
<u>Source of Supply</u>				
Wells and Springs	534,570	40,847	-	575,417
Wells and Springs - Emmons	333,090	37,010	-	370,100
Supply Mains	97,303	5,924	-	103,227
	<u>964,963</u>	<u>83,781</u>	<u>-</u>	<u>1,048,744</u>
<u>Pumping Plant</u>				
Structure and Improvements	54,245	1,492	-	55,737
Structure and Improvements - Emmons	17,991	2,839	-	20,830
Electric Pumping Equipment	250,220	587	-	250,807
	<u>322,456</u>	<u>4,918</u>	<u>-</u>	<u>327,374</u>
<u>Water Treatment</u>				
Structure and Improvements	1,328,177	135,788	-	1,463,965
Structure and Improvements - Emmons	955,064	106,254	-	1,061,318
Water Treatment Equipment	2,848,144	70,605	-	2,918,749
Water Treatment Equipment - Emmons	561,213	62,357	-	623,570
	<u>5,692,598</u>	<u>375,004</u>	<u>-</u>	<u>6,067,602</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	230,829	6,289	-	237,118
Distribution Reservoirs	903,492	63,976	-	967,468
Distribution Reservoirs - Emmons	306,395	36,765	-	343,160
Transmission and Distribution	8,170,167	448,185	-	8,618,352
Transmission and Distribution - Emmons	4,705,554	685,221	-	5,390,775
Service	932,276	36,403	-	968,679
Meter Units	1,979,745	156,387	-	2,136,132
	<u>17,228,458</u>	<u>1,433,226</u>	<u>-</u>	<u>18,661,684</u>
<u>General Plant</u>				
Furniture and Equipment	264,171	-	-	264,171
Transportation Equipment	173,131	53,869	29,196	197,804
Transportation Equipment - Emmons	55,510	21,369	-	76,879
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	81,002	7,102	-	88,104
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	58,293	6,265	-	64,558
Miscellaneous Equipment - Emmons	5,560	695	-	6,255
Building	345,877	23,368	-	369,245
	<u>1,025,331</u>	<u>112,668</u>	<u>29,196</u>	<u>1,108,803</u>
 Total Accumulated Depreciation	 <u>25,233,806</u>	 <u>2,009,597</u>	 <u>29,196</u>	 <u>27,214,207</u>
 Water Plant in Service, Net	 <u>\$ 110,153,846</u>	 <u>\$ (1,489,258)</u>	 <u>\$ 30,017</u>	 <u>\$ 108,634,571</u>

# SOUTH CENTRAL REGIONAL WATER DISTRICT

## Notes to Financial Statements

December 31, 2023 and 2022

### NOTE 6 – LONG-TERM DEBT

As of December 31, 2023:

	Interest Rates	Maturity Date	Balance 1/1/23	Additions	Reductions	Balance 12/31/23	Current Maturities
2007 Series A Bonds	2.50%	10/01/27	\$ 2,382,000	\$ -	\$ 453,000	\$ 1,929,000	\$ 464,000
2008 Series A Bonds	2.50%	09/01/28	1,445,001	-	225,000	1,220,001	230,000
2010 Series A Bonds	2.50%	10/01/30	2,165,000	-	245,000	1,920,000	250,000
2012 Series A Bonds	0.95% - 4.00%	10/01/29	4,655,000	-	520,000	4,135,000	535,000
2013 Series A Bonds	2.50%	10/01/52	3,666,140	-	83,547	3,582,593	85,391
2013 Series B Bonds	2.50%	10/01/52	2,519,826	-	57,424	2,462,402	58,691
2015 Series A Bonds	2.75%	06/15/55	1,384,760	-	26,306	1,358,454	26,927
2015 Series B Bonds	3.00%	04/01/55	1,372,289	-	25,412	1,346,877	26,183
2016 Series A Bonds	2.00%	10/01/46	2,670,000	-	80,000	2,590,000	85,000
2016 Series B Bonds	1.88%	04/01/56	1,147,549	-	24,435	1,123,114	24,893
2016 Series C Bonds	3.00%	10/01/56	1,172,949	-	20,235	1,152,714	20,844
			<u>\$ 24,580,514</u>	<u>\$ -</u>	<u>\$ 1,760,359</u>	22,820,155	<u>\$ 1,806,929</u>
Less Current Maturities						(1,806,929)	
						<u>\$ 21,013,226</u>	

As of December 31, 2022:

	Interest Rates	Maturity Date	Balance 1/1/22	Additions	Reductions	Balance 12/31/22	Current Maturities
2007 Series A Bonds	2.50%	10/01/27	\$ 2,825,000	\$ -	\$ 443,000	\$ 2,382,000	\$ 453,000
2008 Series A Bonds	2.50%	09/01/28	1,665,001	-	220,000	1,445,001	225,000
2010 Series A Bonds	2.50%	10/01/30	2,400,000	-	235,000	2,165,000	245,000
2012 Series A Bonds	0.95% - 4.00%	10/01/29	5,165,000	-	510,000	4,655,000	520,000
2013 Series A Bonds	2.50%	10/01/52	3,747,650	-	81,510	3,666,140	83,547
2013 Series B Bonds	2.50%	10/01/52	2,575,850	-	56,024	2,519,826	57,424
2015 Series A Bonds	2.75%	06/15/55	1,410,362	-	25,602	1,384,760	26,306
2015 Series B Bonds	3.00%	04/01/55	1,396,958	-	24,669	1,372,289	25,415
2016 Series A Bonds	2.00%	10/01/46	2,750,000	-	80,000	2,670,000	80,000
2016 Series B Bonds	1.88%	04/01/56	1,171,534	-	23,985	1,147,549	24,435
2016 Series C Bonds	3.00%	10/01/56	1,192,587	-	19,638	1,172,949	20,232
			<u>\$ 26,299,942</u>	<u>\$ -</u>	<u>\$ 1,719,428</u>	24,580,514	<u>\$ 1,760,359</u>
Less Current Maturities						(1,760,359)	
						<u>\$ 22,820,155</u>	

**SOUTH CENTRAL REGIONAL WATER DISTRICT**

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 6 – LONG-TERM DEBT - CONTINUED**

Substantially all of the District's assets are pledged as collateral on the above debt. The District has also complied with the required loan covenants which include establishing reserve funds for debt service and emergency maintenance.

Minimum principal and interest payments required on long-term debt during the next five years and thereafter are as follows:

<u>Year Ending 12/31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,806,929	\$ 603,702	\$ 2,410,631
2025	1,860,676	556,140	2,416,816
2026	1,915,081	507,110	2,422,191
2027	1,962,654	456,377	2,419,031
2028	1,508,932	402,199	1,911,131
2029-2033	3,833,975	1,452,593	5,286,568
2034-2038	2,220,974	1,128,845	3,349,819
2039-2043	2,515,077	845,140	3,360,217
2044-2048	2,559,954	525,563	3,085,517
2049-2053	2,124,769	217,728	2,342,497
2054-2056	511,134	21,448	532,582
	<u>\$ 22,820,155</u>	<u>\$ 6,716,845</u>	<u>\$ 29,537,000</u>

**NOTE 7 – LINE OF CREDIT**

The District has a \$500,000 line of credit with Dakota Community Bank. No funds have been advanced on this line of credit. Interest on the line of credit is two percent over the two-year CD rate.

**NOTE 8 – DEFERRED DEBITS**

In 1996, the District entered into a 40-year water supply agreement with the City of Bismarck under which the city sells treated water to the South Central Regional Water District. The District paid the city a deposit of \$1,475,989 during 1996 for a connection fee and an additional connection fee of \$800,000 during 1997 for the right to buy up to 2,300,000 gallons of water per day. The District is amortizing the costs on a straight-line basis over the life of the agreement. The District has unamortized debt issuance costs being amortized over the term of the related debt (25 years).

**NOTE 9 – ADVANCES FOR EXPANSION**

In 2001, the District started soliciting for future users that would accommodate their plans for water expansion projects into North Burleigh, Emmons County, Kidder County, Logan County, and McIntosh County. The District charges a good intention fee to each potential new user and holds the fee until they become an official user of the District, at which that point the fee is recognized as revenue.

## **SOUTH CENTRAL REGIONAL WATER DISTRICT**

Notes to Financial Statements

December 31, 2023 and 2022

### **NOTE 10 – UNEARNED REVENUE – BASE FEES**

The City of Linton paid lump sum amounts to buy down their monthly base fee of their 40 year water contract. The first payment in 2014 was allocated over the remaining months in their 40 year contract resulting in a monthly rate of \$1,524 for 455 months. The second payment in 2015 was also allocated over the remaining term of the original contract resulting in a monthly rate of \$3,010 per month for 443 months. These amounts are recognized as water sales revenue and the unearned account is reduced each month. The current portion is expected to be recognized as revenue in the next year.

The City of Wilton paid a lump sum amount to buy down their monthly base fee on their 20 year water contract. The payment in 2022 was allocated over the remaining months in their contract resulting in a monthly rate of \$3,826.17 for 64 months. This amount is recognized as water sales revenue and the unearned account is reduced each month. The current portion is expected to be recognized as revenue in the next year.

### **NOTE 11 – PENSION PLAN**

The District has a pension plan covering all full-time employees who have met certain service requirements. The District's cost for the years ended December 31, 2023, 2022, and 2021, was \$46,075, \$45,764, and \$42,049. The District must contribute an amount equal to 2% of participant's base compensation to the plan each year. The District will match the employee's contribution up to 4%.

### **NOTE 12 – RISK MANAGEMENT**

South Central Regional Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, and automobile insurance. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

South Central Regional Water District continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance and employee professional liability insurance.

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

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*

Board of Directors  
South Central Regional Water District  
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of South Central Regional Water District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise South Central Regional Water District's basic financial statements, and have issued our report thereon dated April 16, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Central Regional Water District's internal control over financial reporting (internal control) as a basis for designing the 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 South Central Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Regional Water District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a significant deficiency.



## **Report on Compliance and Other Matters**

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

## **South Central Regional Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on South Central Regional Water District's response to the findings identified in our audit and described in the accompanying schedule of findings.

South Central Regional Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
April 16, 2024

SOUTH CENTRAL REGIONAL WATER DISTRICT  
Schedule of Findings  
For the Year Ended December 31, 2023

**Finding 2023-001: Segregation of Duties**

Condition – The District has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from its inception to completion.

Cause – There are limited individuals to perform tasks due to the small size of the organization.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – Board members should periodically review documentation supporting individual transactions. Duties should be reviewed and segregated as employees are added.

Management Response – The District is aware of the condition and will add controls where feasible.