

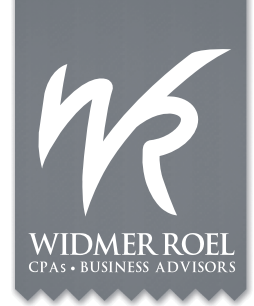
BARNES RURAL WATER DISTRICT

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

WITH INDEPENDENT AUDITOR'S REPORT

BARNES RURAL WATER DISTRICT
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FOR THE YEAR ENDED SEPTEMBER 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Barnes Rural Water District
Valley City, North Dakota

Report on the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of **Barnes Rural Water District**, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise **Barnes Rural Water District's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the **Barnes Rural Water District**, as of September 30, 2024, and the respective changes in financial position, and cash flows thereof for the year 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), 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 **Barnes Rural 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

Barnes Rural Water District's 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 **Barnes Rural 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 Responsibility 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 GAAS and GAS 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 GAAS and GAS, 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 **Barnes Rural 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 **Barnes Rural 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.

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2025, on our consideration of the **Barnes Rural Water District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering **Barnes Rural Water District's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William R. Rowe". The signature is written in a cursive, flowing style with a large initial 'W'.

Fargo, North Dakota
March 20, 2025

BARNES RURAL WATER DISTRICT**STATEMENT OF NET POSITION
SEPTEMBER 30, 2024****ASSETS****CURRENT ASSETS**

| | |
|--------------------------|------------------|
| Cash and equivalents | \$ 531,295 |
| Unrestricted Investments | 2,398,536 |
| Restricted Investments | |
| Short-lived asset | 541,331 |
| Debt reserve | 424,842 |
| Accounts receivable | 114,167 |
| Total current assets | <u>4,010,171</u> |

NONCURRENT ASSETS

| | |
|---|--------------------------|
| Capital assets, net of accumulated depreciation | |
| Land | 280,667 |
| Buildings | 3,570,990 |
| Equipment | 240,225 |
| Vehicles | 113,482 |
| Infrastructure | 16,070,559 |
| Construction in progress | 1,088,318 |
| Right-of-use lease asset | 56,991 |
| Total noncurrent assets | <u>21,421,232</u> |
| Total assets | \$ <u>25,431,403</u> |

LIABILITIES**CURRENT LIABILITIES**

| | |
|---------------------------|----------------|
| Accounts payable | \$ 52,740 |
| Payroll liability | 760 |
| Interest payable | 7,238 |
| Long-term debt | 352,816 |
| Compensated absences | 1,387 |
| Total current liabilities | <u>414,941</u> |

LONG-TERM LIABILITIES

| | |
|--------------------------------------|----------------------|
| Long-term debt, less current portion | 4,061,033 |
| Compensated absence | 26,343 |
| Total long-term liabilities | <u>4,087,376</u> |
| Total liabilities | <u>4,502,317</u> |

NET POSITION

| | |
|--|--------------------------|
| Net investment in capital assets | 17,000,145 |
| Restricted | |
| Debt Service | 424,842 |
| Capital Projects | 541,331 |
| Unrestricted | <u>2,962,768</u> |
| Total net position | <u>20,929,086</u> |
| Total liabilities and net position | \$ <u>25,431,403</u> |

BARNES RURAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES

| | |
|--------------------------|------------------|
| Water sales | \$ 2,041,410 |
| Connection charges | 13,200 |
| Service calls | 11,499 |
| Member fees | 4,750 |
| Hookup income | 21,601 |
| Late charges | 15,831 |
| Sale of material | 23,597 |
| Meter estimate charges | 32,830 |
| Special water income | 19,251 |
| Other operating revenues | <u>239,734</u> |
| Total operating revenues | <u>2,423,703</u> |

OPERATING EXPENSES

| | |
|--------------------------|------------------|
| Salaries | 510,078 |
| Operating supplies | 200,827 |
| Power | 141,277 |
| Insurance | 178,514 |
| Professional services | 33,431 |
| Office expense | 83,147 |
| Repairs | 28,040 |
| Transportation | 25,056 |
| Site maintenance | 15,750 |
| Miscellaneous | 7,182 |
| Employee benefits | 43,193 |
| Payroll taxes | 39,794 |
| Other employee expenses | 9,149 |
| Depreciation | 422,885 |
| Amortization | <u>16,283</u> |
| Total operating expenses | <u>1,754,606</u> |
| Operating income | <u>669,097</u> |

NONOPERATING REVENUE (EXPENSE)

| | |
|--------------------------------------|----------------|
| Capital contributions | 27,310 |
| Interest income | 164,402 |
| Miscellaneous income | 8,304 |
| Interest and fees on long-term debt | (112,242) |
| Loss on sale of capital asset | <u>(8,835)</u> |
| Total nonoperating revenue (expense) | <u>78,939</u> |

| | |
|-----------------------------|----------------------|
| Change in net position | <u>748,036</u> |
| Net position October 1 | <u>20,181,050</u> |
| Net position - September 30 | <u>\$ 20,929,086</u> |

BARNES RURAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-------------------------|--------------------|
| Receipts from customers | \$ 2,434,040 |
| Payments to employees | (507,008) |
| Payments to vendors | <u>(1,001,223)</u> |

| | |
|---|----------------|
| Net cash provided by operating activities | <u>925,809</u> |
|---|----------------|

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--------------------------------|--------------------|
| Purchase of capital assets | (386,485) |
| Interest received | 129,172 |
| Sale/redemption of investments | 2,014,505 |
| Purchase of investments | <u>(2,329,479)</u> |

| | |
|---------------------------------------|------------------|
| Net cash used in investing activities | <u>(572,287)</u> |
|---------------------------------------|------------------|

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

| | |
|-----------------------|------------------|
| Repayment of debt | (345,955) |
| Capital contributions | 224,212 |
| Miscellaneous income | 8,304 |
| Interest paid | <u>(112,090)</u> |

| | |
|---------------------------------------|------------------|
| Net cash used in financing activities | <u>(225,529)</u> |
|---------------------------------------|------------------|

| | |
|--|----------------|
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>127,993</u> |
|--|----------------|

| | |
|---|----------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>403,302</u> |
|---|----------------|

| | |
|---|--------------------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 531,295</u></u> |
|---|--------------------------|

RECONCILIATION OF OPERATING INCOME

TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------|
| Operating loss | \$ 669,097 |
| Charges and credits to operating income not affecting cash | |
| Depreciation | 422,885 |
| Amortization | 16,283 |
| Changes in assets and liabilities | |
| Accounts receivable | 30,002 |
| Accounts payable | (195,863) |
| Payroll liability | 461 |
| Unearned revenue | (19,665) |
| Compensated absences | <u>2,609</u> |

| | |
|---|--------------------------|
| Net cash provided by operating activities | <u><u>\$ 925,809</u></u> |
|---|--------------------------|

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of Barnes Rural Water District (“District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which it 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 GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose special financial burdens on the District.

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

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District’s basic financial statements consist of proprietary fund financial statements. Due to the nature of the District’s operations, the District reports all of its functions in one proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District’s operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Fund Financial Statements

The District’s fund consists of the following:

Water Systems Fund- The reporting focus of proprietary funds is on the determination of net income, financial position, and changes in financial position (economic resources). This fund is used to account for activities that are similar to those found in the private sector. This fund is maintained on the accrual basis of accounting.

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

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and the accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Investments

The cash and cash equivalents include demand deposits with an original maturity of three months or less. Investments consists of cash equivalent funds and certificates of deposit with original maturities ranging from twelve months to twenty-four months. Certificates of deposit are stated at amortized cost which approximates fair value.

The District follows state statutes with regard to its investing decisions.

Capital Assets

Capital assets include work in progress, land, buildings, equipment, vehicles, and infrastructure. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of acquisition plus any eligible cost incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Land and land improvements | Indefinite |
| Buildings | 30-50 years |
| Equipment | 5-10 years |
| Vehicles | 3-5 years |
| Infrastructure | 75 years |

Accounts Payable

Accounts payable consist of amounts owed for goods and services received prior to September 30 and chargeable to the appropriations for the year then ended but paid subsequent to that date.

Accrued Expenses

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from employee salaries as of September 30.

Compensated Absences

Unused vacation is reported in the statement of net position. Compensation for unused vacation and sick will be paid out at the employee's daily rate. Compensated absences represent the liability of the District for these employee benefits.

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as assets and amortized over the term of the related debt.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Restricted Net Position

Net position is restricted under the terms of certain debt agreements. It is the District's policy to use restricted resources in cases where an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report which is the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The District follows North Dakota state statutes which authorize the District to make deposits in the Bank of North Dakota or in other financial institutions.

In accordance with North Dakota statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution 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 body and bonds issued by another state of the United States or such other securities approved by the banking board.

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

At year ended September 30, 2024, the District's carrying amount of deposits was \$3,896,004 and the bank balances were \$3,923,760. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$2,923,760, with the exception of \$34,028 which was unpledged, was covered by pledged securities, in the government's name.

Credit Risk

The District may invest idle funds as authorized in North Dakota statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- (c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
- (d) Obligations of the state.

At September 30, 2024 the District held certificates of deposit in the amount of \$3,364,709 which are all considered deposits.

Concentration of Credit risk

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 3 – RESTRICTED INVESTMENTS

According to the terms of the District's loan agreements, the District must maintain \$424,842 in a reserve account (CDs) restricted for debt service. At September 30, 2023, \$424,842 was held in the required reserve.

\$424,842 required to be held in debt reserve consists of the following:

- \$151,750 as dictated by North Dakota Municipal Bond Bank loan resolution – maximum amount accumulated at September 30, 2014.
- \$164,400 as dictated by North Dakota Municipal Bond Bank loan resolution – maximum amount accumulated at September 30, 2016.
- \$92,625 as dictated by North Dakota Municipal Bond Bank loan resolution – maximum amount accumulated at September 30, 2018.
- \$16,067 as dictated by the USDA Rural Development Program.

The District also maintains other amounts in restricted investments for capital reserve totaling \$541,331, as dictated by the USDA Rural Development Program.

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2024:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------------|------------------------|-----------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 280,667 | \$ - | \$ - | \$ 280,667 |
| Construction in progress | <u>753,065</u> | <u>335,253</u> | <u>-</u> | <u>1,088,318</u> |
| Total capital assets, not being depreciated | <u>1,033,732</u> | <u>335,253</u> | <u>-</u> | <u>1,368,985</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 5,077,680 | - | - | 5,077,680 |
| Equipment | 1,802,117 | - | - | 1,802,117 |
| Vehicles | 154,611 | 51,232 | 33,131 | 172,712 |
| Infrastructure | <u>23,489,029</u> | <u>-</u> | <u>-</u> | <u>23,489,029</u> |
| Total capital assets being depreciated | <u>30,523,437</u> | <u>51,232</u> | <u>33,131</u> | <u>30,541,538</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 1,433,074 | 73,616 | - | 1,506,690 |
| Equipment | 1,544,068 | 17,824 | - | 1,561,892 |
| Vehicles | 59,179 | 24,347 | 24,296 | 59,230 |
| Infrastructure | <u>7,111,372</u> | <u>307,098</u> | <u>-</u> | <u>7,418,470</u> |
| Total accumulated depreciation | <u>10,147,693</u> | <u>422,885</u> | <u>24,296</u> | <u>10,546,282</u> |
| Total capital assets being depreciated, net | <u>20,375,744</u> | <u>(371,653)</u> | <u>8,835</u> | <u>19,995,256</u> |
| Net capital assets | \$ <u><u>21,409,476</u></u> | \$ <u><u>(36,400)</u></u> | \$ <u><u>8,835</u></u> | \$ <u><u>21,364,241</u></u> |

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 5 – LONG TERM LIABILITIES

During the year ended September 30, 2024 the following changes occurred in liabilities reported in the long-term liabilities:

| | <u>Balance 9/30/23</u> | | <u>Increases</u> | | <u>Decreases</u> | | <u>Balance 9/30/2024</u> | | <u>Due Within One Year</u> |
|----------------------|----------------------------|----|------------------|----|------------------|----|------------------------------|----|--------------------------------|
| Loans payable | \$ 3,575,000 | \$ | - | \$ | 295,000 | \$ | 3,280,000 | \$ | 300,000 |
| GO bonds payable | 1,110,412 | | - | | 37,015 | | 1,073,397 | | 37,483 |
| Lease liability | 74,392 | | - | | 13,940 | | 60,452 | | 15,333 |
| Compensated absences | <u>25,121</u> | | <u>2,609</u> | | <u>-</u> | | <u>27,730</u> | | <u>1,387</u> |
| Total | \$ <u>4,784,925</u> | \$ | <u>2,609</u> | \$ | <u>345,955</u> | \$ | <u>4,441,579</u> | \$ | <u>354,203</u> |

Debt service requirements on the loans payable, including interest, at September 30, 2024, are as follows:

| | <u>Principal</u> | | <u>Interest</u> | | <u>Total</u> |
|-----------|---------------------|----|-----------------|----|------------------|
| 2025 | \$ 300,000 | \$ | 58,425 | \$ | 358,425 |
| 2026 | 315,000 | | 51,975 | | 366,975 |
| 2027 | 165,000 | | 45,225 | | 210,225 |
| 2028 | 170,000 | | 42,135 | | 212,135 |
| 2029 | 170,000 | | 39,125 | | 209,125 |
| 2030-2034 | 930,000 | | 146,975 | | 1,076,975 |
| 2035-2039 | 485,000 | | 74,800 | | 559,800 |
| 2040-2044 | 400,000 | | 44,175 | | 444,175 |
| 2045-2049 | <u>345,000</u> | | <u>12,975</u> | | <u>357,975</u> |
| | \$ <u>3,280,000</u> | \$ | <u>515,810</u> | \$ | <u>3,795,810</u> |

Debt service requirements on the government obligation bonds payable, including interest, at September 30, 2024, are as follows:

| | <u>Principal</u> | | <u>Interest</u> | | <u>Total</u> |
|-----------|---------------------|----|-----------------|----|------------------|
| 2025 | \$ 37,483 | \$ | 19,955 | \$ | 57,438 |
| 2026 | 37,963 | | 19,175 | | 57,138 |
| 2027 | 38,457 | | 18,381 | | 56,838 |
| 2028 | 38,965 | | 17,573 | | 56,538 |
| 2029 | 39,486 | | 16,752 | | 56,238 |
| 2030-2034 | 230,771 | | 70,169 | | 300,940 |
| 2035-2039 | 235,272 | | 45,428 | | 280,700 |
| 2040-2044 | 150,000 | | 26,625 | | 176,625 |
| 2045-2049 | 160,000 | | 15,300 | | 175,300 |
| 2050-2054 | <u>105,000</u> | | <u>3,150</u> | | <u>108,150</u> |
| | \$ <u>1,073,397</u> | \$ | <u>252,508</u> | \$ | <u>1,325,905</u> |

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 6 – LEASE PAYABLE

The District entered into a five-year lease beginning on April 1, 2023. The monthly lease payment ranges from \$1,575 to \$1,675.

The following shows the changes in lease asset and related changes in the accumulated amortization recognized in the reporting period ending September 30, 2024:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------------|--------------------|---------------------------|
| Right-of-use assets, being amortized | | | | |
| Office building | \$ 81,416 | \$ - | \$ - | \$ 81,416 |
| Less: accumulated amortization | | | | |
| Office building | <u>8,142</u> | <u>16,283</u> | <u>-</u> | <u>24,425</u> |
| Total right-of-use assets being amortized, net | \$ <u><u>73,274</u></u> | \$ <u><u>(16,283)</u></u> | \$ <u><u>-</u></u> | \$ <u><u>56,991</u></u> |

The amount of outflows of resources recognized in the reporting period ending September 30, 2024:

| | |
|---|-------------------------|
| Lease expense | |
| Amortization expense by class of underlying asset | |
| Office building | \$ 16,283 |
| Interest on lease liabilities | <u>5,110</u> |
| Total lease expense | \$ <u><u>21,393</u></u> |

The district's future minimum lease payments are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------------|------------------------|-------------------------|
| 2025 | \$ 15,333 | \$ 4,017 | \$ 19,350 |
| 2026 | 16,834 | 2,816 | 19,650 |
| 2027 | 18,452 | 1,498 | 19,950 |
| 2028 | <u>9,833</u> | <u>216</u> | <u>10,049</u> |
| | \$ <u><u>60,452</u></u> | \$ <u><u>8,547</u></u> | \$ <u><u>68,999</u></u> |

BARNES RURAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 7 – PENSION PLAN

The District provides retirement benefits for all full-time employees through contribution to a designated IRA, SEP, or Keogh 403(B). Employees are able to select which type of account they want, and the District pays 7.0% of the employee's salary each month.

The District's total contributions for the years ended September 30, 2024, 2023, and 2022 were \$43,193, \$39,266, and \$38,515, respectively.

NOTE 8 – RISK MANAGEMENT

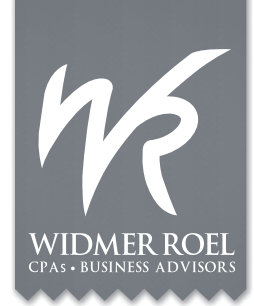
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,547,186 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has worker's compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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



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**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**

Independent Auditor's Report

Governing Board
Barnes Rural Water District
Valley City, 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* (GAS) issued by the Comptroller General of the United States, the financial statements of the business-type activities of the **Barnes Rural Water District** (District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise **Barnes Rural Water District's** basic financial statements, and have issued our report thereon dated March 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Barnes Rural Water District's** internal control over financial reporting (internal control) to determine 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 **Barnes Rural Water District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Barnes Rural 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 therefor, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the Schedule of Findings as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Barnes Rural 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*.

Barnes Rural Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **Barnes Rural Water District's** response to the findings identified in our audit and describe in the accompanying *Schedule of Findings*. **Barnes Rural Water District's** response was not subjected to 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.

A handwritten signature in black ink, appearing to read "William R. Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R" at the end.

Fargo, North Dakota
March 20, 2025

BARNES RURAL WATER DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Business-Type Activities

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes

 no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

 yes

 X none reported

Noncompliance material to financial statements noted?

 yes

 X no

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, in conformity with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible for and capable of preparing financial statements and notes to the financial statements in conformity with generally accepted accounting principles.

Cause

The Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Views of Responsible Officials

We agree. We will continue to review and prepare supporting schedules for the preparation of the financial statements and notes.