

**STUTSMAN RURAL WATER DISTRICT
JAMESTOWN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Stutsman Rural Water District
Jamestown, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Stutsman Rural Water District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Stutsman Rural Water 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 Stutsman Rural Water District as of June 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 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 Stutsman 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stutsman 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 Responsibilities of Management of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stutsman 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 Stutsman 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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Stutsman Rural Water District's basic financial statements. The schedule of expenses, schedule of water utility operation costs per 1,000 gallons sold and schedule of water utility operations – management basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses, schedule of water utility operation costs per 1,000 gallons sold and schedule of water utility operations – management basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2024 on our consideration of Stutsman 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 Stutsman Rural Water 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 the Stutsman Rural Water District's internal control over financial reporting and compliance.



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

October 1, 2024

STUTSMAN RURAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2024 and 2023.

Financial Highlights

- The District's net position increased by \$2,859,480 or 6.10% from \$46,873,496 to \$49,732,976.
- Operating revenues increased by \$293,540 or 6.65% from \$4,416,965 to \$4,710,505.
- Operating expenses increased by \$144,520 or 4.54% from \$3,180,040 to \$3,324,560.
- For the fiscal year ended June 30, 2024, the District delivered 154.3 million gallons of domestic water, 175.9 million gallons of industrial water, 170.3 million gallons transported to DSA and 68.8 million gallons of wastewater transported back to the City of Jamestown for treatment.

Overview of the Financial Statements

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

Required Financial Statements

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America.

The statement of net position includes information on the District's assets and liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities and deferred inflows of resources).

The statement of revenues, expenses and changes in net position identifies the District's revenues and expenses for the fiscal year ended June 30, 2024. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The third statement is the statement of cash flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the statement of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two fiscal years.

Financial Analysis of the District

The statements of net position (pages 9 & 10) and the statements of revenues, expenses and changes in net position (page 11) provide an indication of the District's financial condition and also indicates if the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

STUTSMAN RURAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2024

NET POSITION

A summary of the District's Statement of Net Position is presented below:

TABLE I
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|----------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets | \$ 6,237,211 | \$ 7,372,564 |
| Other assets | 5,749,374 | 3,634,526 |
| Net capital assets | 60,085,613 | 59,329,024 |
| Total assets | <u>72,072,198</u> | <u>70,336,114</u> |
| LIABILITIES | | |
| Current liabilities | 1,715,367 | 1,569,137 |
| Non-current liabilities | 20,620,748 | 21,890,367 |
| Total Liabilities | <u>22,336,115</u> | <u>23,459,504</u> |
| DEFERRED INFLOWS | <u>3,107</u> | <u>4,114</u> |
| NET POSITION | | |
| Net investment in capital assets | 38,192,208 | 36,204,196 |
| Restricted for debt service | 5,344,189 | 3,253,951 |
| Unrestricted | 6,196,579 | 7,414,349 |
| Total Net Position | <u>\$ 49,732,976</u> | <u>\$ 46,872,496</u> |

As the above table indicates, total assets increased by \$1,736,084 during the fiscal year ended June 30, 2024. This is comprised of a decrease in current assets of \$1,135,353 an increase in other assets of \$2,114,848 and an increase in capital assets of \$756,589. Total assets decreased by \$293,972 during the fiscal year ended June 30, 2023. This is comprised of an increase in current assets \$1,021,310, an increase in other assets of \$64,846 and a decrease in capital assets of \$1,380,128.

Total liabilities reflect a decrease of \$1,123,389 during the fiscal year ended June 30, 2024. This includes a decrease of \$1,269,619 in long-term liabilities as the District reduced its long term debt obligations. There was an increase of \$146,230 in current liabilities reflected in an increase in accounts payable of \$92,738, an increase in current loans payable of \$38,196, an increase in accrued interest payable of \$9,339, an increase of accrued compensated absences of \$5,507, and an increase in customer deposits of \$450. Total liabilities reflect a decrease of \$1,181,917 during the fiscal year ended June 30, 2023. This includes a decrease of \$1,245,601 in long-term liabilities as the District reduced its long-term debt obligations. There was an increase of \$63,684 in current liabilities reflected in an increase in accounts payable of \$4,633, an increase in current loans payable of \$50,827, an increase in accrued interest payable of \$8,858, and an increase of accrued compensated absences of \$8,224.

Table I also indicates that total net position increased by \$2,860,480 during the fiscal year ended June 30, 2024. This increase is the result of operations, and a net increase in member capital. Total net position increased by \$889,953 during the fiscal year ended June 30, 2023. This increase is the result of operations, non-operating activity, and a net increase in member capital.

STUTSMAN RURAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2024

The Condensed Statements of Revenues, Expenses and Changes in Net Position in Table II identify the various revenue and expense items which impact the change in net position.

Table II indicates that the District's total operating revenues in 2024 increased by \$293,540 or 6.65% to \$4,710,505 from \$4,416,965 in the prior year. Total operating expenses increased by \$144,520 or 4.54% from the prior year. Non-operating revenue increased by \$1,784,161 or 489.12% due to a significant increase in grant income. The District's total operating revenues in 2023 increased by \$23,048 or 0.52% to \$4,416,965 from \$4,393,917 in the prior year. Total operating expenses increased \$126,820 or 4.15% from the prior year. Non-operating revenue increased by \$161,365 or 30.86%.

TABLE II
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Operating revenues | | |
| Water utility | \$ 2,754,625 | \$ 2,619,825 |
| Industrial utilities | 1,955,880 | 1,797,140 |
| Total operating revenues | <u>4,710,505</u> | <u>4,416,965</u> |
| Operating expenses | | |
| Operations and maintenance | 1,849,094 | 1,822,657 |
| Administrative expenses | 773,802 | 740,568 |
| Industrial utilities expense | 701,664 | 616,815 |
| Total operating expenses | <u>3,324,560</u> | <u>3,180,040</u> |
| Operating income | 1,385,945 | 1,236,925 |
| Non-operating income | <u>1,419,389</u> | <u>(364,772)</u> |
| Income before contributions | 2,805,334 | 872,153 |
| Capital contributions | <u>24,000</u> | <u>16,800</u> |
| Change in net position | 2,829,334 | 888,953 |
| Net position - beginning, as previously stated | 46,872,496 | 45,983,543 |
| Prior period adjustment - see note 10 | 31,146 | - |
| Net position - beginning, as restated | <u>46,903,642</u> | <u>45,983,543</u> |
| Total net position - ending | <u>\$ 49,732,976</u> | <u>\$ 46,872,496</u> |

STUTSMAN RURAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2024

Net Capital Assets

As of June 30, 2024, the District's investment in net capital assets totaled \$60,085,613 which is an increase of \$756,589 or 1.3% over the net capital asset balance of \$59,329,024 at June 30, 2023. A comparison of the District's net capital assets over the past two years is presented in Table III.

TABLE III
CAPITAL ASSETS
JUNE 30, 2024 AND 2023

| | 2024 | 2023 | Dollar Change |
|--------------------------------|----------------------|----------------------|-------------------|
| Land | \$ 103,472 | \$ 103,472 | \$ - |
| Office and shop building | 561,439 | 542,599 | 18,840 |
| Storage units | 139,169 | 139,169 | - |
| Lines and equipment | 54,369,648 | 54,369,648 | - |
| Reservoirs and equipment | 14,825,841 | 14,793,524 | 32,317 |
| Wells and equipment | 356,969 | 350,399 | 6,570 |
| Office equipment | 168,750 | 159,974 | 8,776 |
| Equipment and tools | 504,637 | 449,009 | 55,628 |
| GRE lines and equipment | 6,282,331 | 6,282,331 | - |
| Construction in progress | 2,323,447 | 124,591 | 2,198,856 |
| Total | 79,635,703 | 77,314,716 | 2,320,987 |
| Less: accumulated depreciation | (19,550,090) | (17,985,692) | (1,564,398) |
| Total capital assets, net | <u>\$ 60,085,613</u> | <u>\$ 59,329,024</u> | <u>\$ 756,589</u> |

Capital assets include all of the District's major capital assets, including land, buildings, lines, reservoirs, wells, equipment, tools and vehicles.

Additional information on the District's net capital assets is provided in note 3 (page 19) of the financial statements.

Long-Term Debt

As of June 30, 2024, the District had \$21,893,405 in outstanding long-term debt compared to \$23,124,828 as of June 30, 2023. The decrease of \$1,231,423 represents principal payments made during the fiscal year of \$1,217,085 plus net accretion of bond premiums & discounts of \$14,338.

Additional information on the District's long-term debt is provided in note 4 (pages 20 - 21) of the financial statements.

STUTSMAN RURAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2024

Economic Factors and Next Year's Budget and Rates

The water system continues to grow with an additional 30 users connecting to SRWD by paying the cost of installation without the benefit of a grant funded project during the 2023/2024 fiscal year. The growth has slowed due mainly to the cost of new construction and higher mortgage rates, but is expected to continue with a greater number of people moving to rural subdivisions.

Domestic water sales decreased this year due mainly to above average rainfall in this area over the spring and summer months. Industrial water sales increased more than expected. The Water District's Wellfield Expansion Project is nearly complete. The addition of the new wellfield will assist the water district in meeting its' projected future water needs for rural domestic as well as industrial water. This project also includes 4 miles of pipeline from the new well site to the water treatment facility with a total project cost of approximately \$4.3 million. This project is funded with a 75% grant from the ND Department of Water Resources and 25% from water district reserve funds.

Industrial water sales and Industrial water and waste water transportation fees continue to have a positive impact on maintaining affordable residential water rates for our customers. The addition of the Green Bison Soy Processing facility in the Spiritwood Industrial Park and the need for additional steam for processing has increased industrial water sales to the Spiritwood Station Power Plant. We continue to be optimistic regarding future development at the Spiritwood Industrial Park.

There is no domestic water rate increase anticipated through June of 2025. Industrial water rates are adjusted annually according to the CPI in November of each year.

Additional Financial Information

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Stutsman Rural Water District's manager at 1812 Hwy 281 North, Jamestown, North Dakota 58401.

STUTSMAN RURAL WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current assets

| | |
|-------------------------------------|---------------|
| Cash and cash equivalents | \$ 4,540,061 |
| Accounts receivable, trade | 403,865 |
| Lease receivables - current portion | 1,017 |
| Unbilled revenue | 53,189 |
| Grant receivable | 993,034 |
| Supplies | 226,139 |
| Prepaid expenses | <u>19,906</u> |

| | |
|----------------------|------------------|
| Total current assets | <u>6,237,211</u> |
|----------------------|------------------|

Other assets

| | |
|--|--------------|
| Cash reserves restricted for debt service | 5,552,034 |
| Investments in cooperatives | 195,232 |
| Lease receivables - net of current portion | <u>2,108</u> |

| | |
|--------------------|------------------|
| Total other assets | <u>5,749,374</u> |
|--------------------|------------------|

Capital assets not depreciated:

| | |
|--------------------------|-----------|
| Land | 103,472 |
| Construction in progress | 2,323,447 |

Capital assets being depreciated:

| | |
|--------------------------------|---------------------|
| Office and shop building | 561,439 |
| Storage units | 139,169 |
| Lines and equipment | 54,369,648 |
| Reservoirs and equipment | 14,825,841 |
| Wells and equipment | 356,969 |
| Office equipment | 168,750 |
| Equipment and tools | 504,637 |
| GRE lines and equipment | 6,282,331 |
| Less: accumulated depreciation | <u>(19,550,090)</u> |

| | |
|---------------------------|-------------------|
| Total capital assets, net | <u>60,085,613</u> |
|---------------------------|-------------------|

| | |
|--------------|-------------------|
| Total assets | <u>72,072,198</u> |
|--------------|-------------------|

See Notes to the Financial Statements

STUTSMAN RURAL WATER DISTRICT
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2024

LIABILITIES

| | |
|--|-------------------|
| Current liabilities | |
| Accounts payable | \$ 130,979 |
| Customer deposits | 3,600 |
| Accrued interest payable | 207,845 |
| Accrued compensated absences | 100,286 |
| Bonds, notes and loans payable, current portion | <u>1,272,657</u> |
| Total current liabilities | <u>1,715,367</u> |
| Bonds, notes and loans payable, net of current portion | <u>20,620,748</u> |
| Total non-current liabilities | <u>20,620,748</u> |
| Total liabilities | <u>22,336,115</u> |

DEFERRED INFLOWS

| | |
|------------------|--------------|
| Deferred Inflows | |
| Leases | <u>3,107</u> |

NET POSITION

| | |
|----------------------------------|-----------------------------|
| Net investment in capital assets | 38,192,208 |
| Restricted for debt service | 5,344,189 |
| Unrestricted | <u>6,196,579</u> |
| Total net position | <u><u>\$ 49,732,976</u></u> |

See Notes to the Financial Statements

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

Operating revenues:

Water utility:

| | |
|---------------|--------------|
| Water revenue | \$ 2,754,625 |
|---------------|--------------|

Industrial utility

| | |
|----------------|---------|
| GRE wastewater | 398,178 |
|----------------|---------|

| | |
|--------------------------|---------|
| DSA water transportation | 230,634 |
|--------------------------|---------|

| | |
|-------------------------------------|-----------|
| SWS Spiritwood Station water supply | 1,327,068 |
|-------------------------------------|-----------|

| | |
|--------------------------|-----------|
| Total industrial utility | 1,955,880 |
|--------------------------|-----------|

| | |
|--------------------------|-----------|
| Total operating revenues | 4,710,505 |
|--------------------------|-----------|

Operating expenses:

| | |
|------------------------------------|-----------|
| Operation and maintenance expenses | 1,849,094 |
|------------------------------------|-----------|

| | |
|----------------|---------|
| Administrative | 773,802 |
|----------------|---------|

| | |
|----------------------|---------|
| Industrial utilities | 701,664 |
|----------------------|---------|

| | |
|--------------------------|-----------|
| Total operating expenses | 3,324,560 |
|--------------------------|-----------|

| | |
|-------------------------|-----------|
| Operating income (loss) | 1,385,945 |
|-------------------------|-----------|

Non-operating revenues (expenses):

| | |
|-------------------------|---------|
| Interest and investment | 274,322 |
|-------------------------|---------|

| | |
|-------------------------------|--------|
| Gain on disposal of equipment | 41,845 |
|-------------------------------|--------|

| | |
|--------------|-----------|
| Grant income | 1,688,485 |
|--------------|-----------|

| | |
|--------------|-------|
| Lease income | 1,042 |
|--------------|-------|

| | |
|----------|-----------|
| Interest | (279,899) |
|----------|-----------|

| | |
|-------------------------------|-----------|
| Industrial utilities interest | (317,787) |
|-------------------------------|-----------|

| | |
|---------------|--------|
| Miscellaneous | 11,381 |
|---------------|--------|

| | |
|---|-----------|
| Total non-operating revenues (expenses) | 1,419,389 |
|---|-----------|

| | |
|-------------------------------------|-----------|
| Income before capital contributions | 2,805,334 |
|-------------------------------------|-----------|

| | |
|-------------------------------------|--------|
| Net change in capital contributions | 24,000 |
|-------------------------------------|--------|

| | |
|------------------------|-----------|
| Change in net position | 2,829,334 |
|------------------------|-----------|

| | |
|--|------------|
| Total net position - beginning of year, as previously stated | 46,872,496 |
|--|------------|

| | |
|---------------------------------------|--------|
| Prior period adjustment - see Note 10 | 31,146 |
|---------------------------------------|--------|

| | |
|---|------------|
| Net position - beginning of year, as restated | 46,903,642 |
|---|------------|

| | |
|----------------------------------|---------------|
| Total net position - end of year | \$ 49,732,976 |
|----------------------------------|---------------|

See Notes to the Financial Statements

STUTSMAN RURAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Receipts from utility customers | \$ 4,733,094 |
| Payments to utility suppliers | (859,348) |
| Payments to employees | (742,851) |
| Cash provided (used) by operating activities | <u>3,130,895</u> |
| Cash flows from investing activities | |
| Proceeds from redemption of investments in cooperatives | 2,677 |
| Investment in cooperatives | (18,964) |
| Grants and other income | 707,632 |
| Interest income | 274,322 |
| Cash provided (used) by investing activities | <u>965,667</u> |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (2,405,329) |
| Proceeds on sale of capital assets | 50,500 |
| Payments on long-term debt | (1,217,085) |
| Interest paid on borrowings | (602,685) |
| Net change in capital contributions | 24,000 |
| Cash provided (used) by capital and related financing activities | <u>(4,150,599)</u> |
| Change in cash and cash equivalents | (54,037) |
| Cash and cash equivalents, beginning of period | <u>10,146,132</u> |
| Cash and cash equivalents, end of period | <u><u>\$10,092,095</u></u> |
| Cash and cash equivalents consist of: | |
| Cash and cash equivalents | \$ 4,540,061 |
| Cash reserves restricted for debt service | 5,552,034 |
| Total cash and cash equivalents | <u><u>\$10,092,095</u></u> |
| Reconciliation of operating income to net cash provided (used) | |
| by operating activities: | |
| Operating income (loss) | \$ 1,385,945 |
| Adjustments to reconcile operating gain (loss) to net cash | |
| provided (used) by operating activities: | |
| Depreciation | 1,640,325 |
| Effects on operating cash flows due to changes in: | |
| Accounts receivable | 22,139 |
| Supplies | (1,222) |
| Prepaid expenses | (14,987) |
| Accounts payable | 92,738 |
| Customer deposits | 450 |
| Accrued compensated absences | 5,507 |
| Total adjustments | <u>1,744,950</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 3,130,895</u></u> |

See Notes to the Financial Statements

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Activity

Stutsman Rural Water District ("The District") was incorporated as a non-profit organization for the purpose of providing a rural water system, including distribution lines, water wells, water storage tanks and water conditioning facilities for the residents of rural Stutsman County. Effective September 1, 1999, it was reorganized as a political subdivision.

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. These financial statements represent the financial position, results of operations and cash flows of the District for fiscal year ended June 30, 2024. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by Governmental Accounting Standards Board. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the 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. These criteria include appointing a voting majority of an organization 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 specific financial burdens on the District. Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

Fund Accounting

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

The following fund type is used by the District:

Proprietary Fund Type

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

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

Basis of Accounting

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

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

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of the operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary Fund equity is classified as net position. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are water utility sales and industrial utility sales. Operating expenses include chemicals, consumer confidence report, operating supplies, power for pumping, repairs and maintenance, water purchases, and water testing. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budget – Legal Compliance

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District adopts a flexible annual operating budget. Annually, management submits a proposed budget to the Board of Directors for approval. During the year management is authorized to transfer budgeted amounts between line items. The current operating budget details the District's plan to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

All unexpended and unencumbered appropriations in the operating budget lapse at the end of the fiscal year.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash restricted for debt service consist of savings accounts that are held by the District for various reasons, including debt covenants. Accordingly, these restricted cash accounts are listed as other assets on the Statement of Net Position.

Receivables and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the billing date.

Unpaid trade receivables with dates over 30 days old are considered late, and interest is assessed on these unpaid balances that remain unpaid as of the 10th of each month. Payments on trade receivables are allocated to the oldest outstanding unpaid billings. The carrying amount of trade receivables are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically to ensure the allowance account is adequate based on current economic conditions and past experience. The District did not have an allowance for doubtful accounts for the year ended June 30, 2024.

Unbilled Revenue

Unbilled revenue is an estimated amount of receivable for the final month billing, which is billed subsequent to year-end. This estimate is calculated using a percentage of current year days included in the subsequent year's billing.

Supplies and Prepaid Items

Supplies are valued at the lower of cost or net realizable value and consist of chemicals, operating supplies and parts.

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

Investments

Investments in cooperatives are stated at cost. Equities received in the form of qualified and non-qualified patronage distributions are recorded at their stated value when received. Non-qualified patronage distributions are not recorded as income since redemption is uncertain. Cooperative equities are not transferrable, thereby precluding any market value, but they may be used as collateral for securing loans. The District does not recognize any impairment of equities until formal notification is received. Redemption of these equities is at the discretion of the various cooperatives.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Capital Assets

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

The District's capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$2,500 and a useful life of at least two years.

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

| | |
|--------------------------|----------------|
| Office and shop building | 40 years |
| Storage units | 20 years |
| Reservoirs and equipment | 10 to 50 years |
| Equipment and tools | 5 to 10 years |
| Wells and equipment | 20 to 40 years |
| Office equipment | 5 to 10 years |
| GRE lines and equipment | 50 years |

The District was the recipient (grantee) of a grant to aid in the construction of the water system. Under the terms of the grant, the grantee has title to the real property as long as they continue to use it for the purposes under the grant. If no longer needed for the original grant purpose, the grantee must receive approval for use in projects under other federal programs that have purposes consistent with those authorized by the grantor. When no longer needed under the above terms, the grantee shall request disposition instructions from the grantor agency.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not currently have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has deferred inflows of resources related to lease inflows.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Compensated Absences

Employees who have worked more than five years can received up to 15 days of vacation. Employees who have worked more than ten years can receive 15 days of vacation plus one day for each year worked after that up to a maximum of 20 days. When a holiday falls on a vacation day, one additional day of vacation shall be granted. Vacation credits do not vest until the employee has completed six months of employment. Vacation shall not accrue during a leave of absence. Vacation is calculated on the calendar year and computed on December 31 of each year and employees are encouraged to use all vacation days earned within the next calendar year, but the Board recognizes that special circumstances may occur that could prevent that and makes special allowances. Unused vacation days may be carried over for a period of three months into the next calendar year. Any unused vacations days would be lost.

Employees earn one sick day per calendar month up to a maximum of 90 working days. Accumulated sick leave is not paid in cash except when an employee leaves the District. The employee will receive 1% times the hours of sick leave accrued times the number of years of service the employee was employed. All other sick leave hours will be lost.

Leases

The District is a lessor for a noncancellable lease of a land. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Long-Term Obligations and Costs

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts and gains or losses on advance refunding and defeasances are deferred and amortized over the life of the bonds. Bond issue costs are expensed in the period incurred.

Contributed Capital

Capital contributions are recognized in the Statements of Revenues, Expenses and Changes in Net Position when earned. Contributions include grants in support of system improvements and member fees.

Net Position Classifications

Net Position is classified in three components:

- Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted net position - All other net position that do not meet the definitions of "net investment in capital assets" or "restricted."

Revenues and Rate Structure

Revenues from water are recognized on the accrual basis and as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide operating and maintenance costs, capital outlay, reserves and debt service coverage.

Use of Estimates

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

Significant Group Concentrations of Credit Risk

The District has a group concentration of credit risk comprised of its member accounts receivable. The District has no policy requiring collateral.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the District would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The District has a formal policy regarding deposits. In addition, according to North Dakota Century Code, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

The District maintains cash on deposit at various financial institutions. The amounts on deposit are insured by FDIC up to \$250,000 per financial institution. As of June 30, 2024, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$10,871,724 of the District's deposits are covered by pledged securities held in the District's name. The total securities pledged exceed 110% of the uninsured balance.

NOTE 3 CAPITAL ASSETS

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

| | July 1, 2023 | Additions | Deletions | June 30, 2024 |
|---|----------------------|--------------------|-------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 103,472 | \$ - | \$ - | \$ 103,472 |
| Construction in progress | 124,591 | 2,198,856 | - | 2,323,447 |
| Total capital assets not being depreciated | <u>228,063</u> | <u>2,198,856</u> | <u>-</u> | <u>2,426,919</u> |
| Capital assets being depreciated: | | | | |
| Office and shop building | 542,599 | 18,840 | - | 561,439 |
| Storage units | 139,169 | - | - | 139,169 |
| Lines and equipment | 54,369,648 | - | - | 54,369,648 |
| Reservoirs and equipment | 14,793,524 | 32,317 | - | 14,825,841 |
| Wells and equipment | 350,399 | 6,570 | - | 356,969 |
| Office equipment | 159,974 | 17,375 | (8,599) | 168,750 |
| Equipment and tools | 449,009 | 131,371 | (75,743) | 504,637 |
| GRE lines and equipment | 6,282,331 | - | - | 6,282,331 |
| Total capital assets being depreciated | <u>77,086,653</u> | <u>206,473</u> | <u>(84,342)</u> | <u>77,208,784</u> |
| Less accumulated depreciation | <u>17,985,692</u> | <u>1,640,325</u> | <u>(75,927)</u> | <u>19,550,090</u> |
| Total capital assets being depreciated, net | <u>59,100,961</u> | <u>(1,433,852)</u> | <u>(8,415)</u> | <u>57,658,694</u> |
| Net capital assets | <u>\$ 59,329,024</u> | <u>\$ 765,004</u> | <u>\$ (8,415)</u> | <u>\$ 60,085,613</u> |

Depreciation expense for the year ended June 30, 2024 totaled \$1,640,325 and was allocated as follows: operation and maintenance expenses of \$1,424,099, administrative expenses of \$83,380, industrial utilities expenses of \$125,647 and miscellaneous expense of \$6,957.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 4 LONG-TERM DEBT

The obligations under notes payable and revenue bonds payable are scheduled as follows:

| | <u>Outstanding June 30, 2024</u> |
|--|--------------------------------------|
| Revenue Bonds Payable: | |
| \$3,813,386 Water Revenue Bonds dated June 27, 2009 to finance Great River Energy water supply project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 0.500% beginning September 1, 2013 through September 1, 2029. | \$ 1,419,999 |
| \$814,000 Series 2012 Water Revenue Bonds dated May 1, 2012 to finance Phase 1 expansion project. The bonds are payable in variable annual principal and interest payments at a fixed interest rate of 3.375% through May 1, 2052. | 687,336 |
| \$9,000,000 Series 2014B Water Revenue Bonds dated April 22, 2014 to finance water treatment plant and service expansion (net of premium/discount). The bonds are payable in variable annual principal and semi-annual interest payments at a variable interest rate from 2.000% to 4.500% beginning June 1, 2014 through December 31, 2034. | 5,295,662 |
| \$3,455,000 Series 2014C Water Revenue Bonds dated June 23, 2014 to finance water treatment plant and service expansion. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.000% beginning September 1, 2018 through September 1, 2034. | 2,320,000 |
| \$1,900,004 Series 2014D Water Revenue Bonds dated June 23, 2014 to finance water treatment plant and service expansion. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 3.000% beginning September 1, 2017 through September 1, 2034. | 1,295,002 |
| \$1,706,000 Series 2016G Water Revenue Bonds dated October 3, 2016 to finance Phase 5 expansion project (not fully funded). The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.000% through October 3, 2046. | 1,300,000 |
| \$1,516,500 Series 2016A Water Revenue Bonds dated October 17, 2016 to finance Phase 2 expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.375% through October 17, 2056. | 1,342,497 |
| \$1,516,500 Series 2016B Water Revenue Bonds dated October 17, 2016 to finance Phase 2 expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 3.000% through October 17, 2056. | 1,362,820 |

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

| | |
|--|----------------------|
| \$600,000 Series 2016C Water Revenue Bonds dated October 17, 2016 to finance Phase 2 expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.375% through October 17, 2056. | \$ 531,158 |
| \$1,281,500 Series 2016D Water Revenue Bonds dated October 17, 2016 to finance Phase 2B expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.375% through October 17, 2056. | 1,134,461 |
| \$330,400 Series 2016E Water Revenue Bonds dated October 17, 2016 to finance Phase 2B expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 2.375% through October 17, 2056. | 292,490 |
| \$330,400 Series 2016F Water Revenue Bonds dated October 17, 2016 to finance Phase 2B expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 3.000% through October 17, 2056. | 296,918 |
| \$721,000 Series 2017 Water Revenue Bonds dated February 1, 2017 to finance Phase 3 expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 1.500% through September 1, 2036. | 480,062 |
| \$800,000 Series 2018 Water Revenue Bonds dated September 1, 2019 to finance water treatment and distribution system improvement. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 1.500% beginning September 1, 2019 through September 1, 2048. | 620,000 |
| \$1,000,000 Series 2019 Water Revenue Bonds dated December 15, 2019 to finance Phase 7 project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 1.500% through September 1, 2049. Not fully funded. | 800,000 |
| \$3,027,000 Series 2020 Water Revenue Refunding Bonds dated June 29, 2020 to refinance debt originally issued for the Phase 3 expansion project. The bonds are payable in variable annual principal and semi-annual interest payments at a fixed interest rate of 1.500% through September 1, 2049. | 2,715,000 |
| | <u>\$ 21,893,405</u> |

All notes payable and revenue bonds payable of the District are secured by the net revenues of the District's water distribution system.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Changes in Long-Term Liabilities

During the year ended June 30, 2024, the following changes occurred in long term liabilities reported in the Statement of Net Position:

| | Balance 7/1/23 | Additions | Reductions | Net Accretion of Premiums and Discounts | Balance 6/30/24 | Due Within One Year |
|-----------------------------|----------------------|------------------|---------------------|---|----------------------|------------------------|
| Compensated absences | \$ 94,779 | \$ 53,178 | \$ 47,671 | \$ - | \$ 100,286 | \$ 100,286 |
| Revenue bonds payable | 23,124,828 | - | 1,217,085 | (14,338) | 21,893,405 | 1,272,657 |
| Total long-term liabilities | <u>\$ 23,219,607</u> | <u>\$ 53,178</u> | <u>\$ 1,264,756</u> | <u>\$ (14,338)</u> | <u>\$ 21,993,691</u> | <u>\$ 1,372,943</u> |

Future Obligations

Annual requirements for payment of outstanding debt at June 30, 2024 are as follows:

| Year | Revenue Bonds Payable | |
|--------------------|-----------------------|---------------------|
| | Principal | Interest |
| 2025 | \$ 1,272,657 | \$ 558,350 |
| 2026 | 1,301,112 | 526,522 |
| 2027 | 1,339,380 | 493,782 |
| 2028 | 1,377,823 | 459,854 |
| 2029 | 1,411,354 | 424,154 |
| 2030-2034 | 6,723,052 | 1,537,539 |
| 2035-2039 | 2,341,039 | 800,742 |
| 2040-2044 | 2,082,407 | 571,572 |
| 2045-2049 | 2,168,411 | 365,586 |
| 2050-2054 | 1,249,766 | 168,173 |
| 2055-2058 | 640,742 | 33,432 |
| Premium/(Discount) | (14,338) | - |
| | <u>\$ 21,893,405</u> | <u>\$ 5,939,706</u> |

NOTE 5 LEASES

The District leases 121 square feet of land to Rural Tower Network for the use of a tower structure. The term of the lease is for a period of 60 months, beginning August 15, 2012. The agreement can be renewed twice, and the second renewal occurred in August of 2022. An annual rent payment of \$1,050 is due by August 15th each year. The lease will terminate August 15, 2027, and the District does not expect to renew the lease.

Following is the total lease-related revenue for the year ended June 30, 2024.

| | |
|---------------------|-----------------|
| Lease Revenue | |
| Land | \$ 1,008 |
| Total Lease Revenue | 1,008 |
| Interest Revenue | 34 |
| Total | <u>\$ 1,042</u> |

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Following is a schedule by years of future minimum rental receipts required under the lease:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Receipts</u> |
|-----------------------------|------------------|-----------------|---------------------------|
| 2025 | \$ 1,017 | \$ 33 | \$ 1,050 |
| 2026 | 1,028 | 22 | 1,050 |
| 2027 | 1,081 | 11 | 1,092 |
| Total Future Receipts | <u>\$ 3,125</u> | <u>\$ 67</u> | <u>\$ 3,192</u> |

NOTE 6 DEFINED CONTRIBUTION PLAN

Effective January 1, 2017, the District adopted a 457(b) plan, covering all employees who have completed one year of service and 1,820 hours (35 hours per week) as an eligible employee.

Employees may elect to reduce their compensation and contribute to the plan that can be from 1% up to 100% of compensation. The District may elect to make matching contributions up to \$3,000. Additional catchup contributions may be made and age-related limitations also may apply. Total employee contributions cannot exceed \$22,500 in 2024. Additional catch up contributions may be made and age-related limitations also may apply. Total pension expense for 2024 was \$15,000.

NOTE 7 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. The District's risk for worker's compensation is covered by premiums paid to the North Dakota Workforce Safety. The District's risk for property coverage, liability coverage and fidelity bonds are covered by premiums paid for commercial insurance coverage.

For insured programs, there have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial coverage for the past three years.

NOTE 8 GRANT PROGRAMS

The District participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related amounts due to the District at June 30, 2024, may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 9 MAJOR CUSTOMERS

During the year ended June 30, 2024, the District had one major customer. This customer accounted for 28.2% of operating revenue and 26.2% of accounts receivables during and as of the year ended June 30, 2024, respectively.

NOTE 10 PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded for understated unrestricted net position as an in-kind donation of inventory, which was not properly recognized. The impact of the prior period adjustment is an increase of \$31,146 to supplies and unrestricted net position.

NOTE 11 FUTURE GASB PRONOUNCEMENTS

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

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

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

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

NOTE 12 COMMITMENTS

Construction Commitment

The District entered into a contract with Bartlett and West for a Well Field Expansion Project. This project is not to exceed \$3,203,000. The portion of the contract remaining as of June 30, 2024 is \$894,543 which is expected to be paid in the fiscal year ending June 30, 2024.

STUTSMAN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through October 1, 2024, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STUTSMAN RURAL WATER DISTRICT
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

OPERATION AND MAINTENANCE EXPENSES

| | |
|--|----------------------------|
| Chemicals | \$ 57,218 |
| AMR fee expense | 30,084 |
| Consumer confidence report | 86 |
| Depreciation | 1,424,099 |
| Mobile and site telephone | 6,007 |
| Operating supplies | 122,858 |
| Power for pumping | 137,684 |
| Repairs and maintenance | 35,346 |
| Small tools expense | 1,567 |
| Vehicle and travel expense | 18,641 |
| Water purchase, City of Carrington | 9,324 |
| Water purchase, Ramsey Rural Water | 10 |
| Water purchase, JMST | 65 |
| Water testing | 6,105 |
| Total operation and maintenance expenses | <u><u>\$ 1,849,094</u></u> |

INDUSTRIAL UTILITIES EXPENSES

| | |
|---------------------------------|--------------------------|
| GRE expenses | \$ 3,163 |
| SWS expenses | 105,482 |
| DSA expenses | 6,961 |
| Salary, benefits, payroll taxes | 294,324 |
| Industrial expenses | 139,785 |
| Administration costs | 18,844 |
| RRWS costs | 500 |
| Depreciation - Storage Units | 6,958 |
| Depreciation | 125,647 |
| Total industrial expenses | <u><u>\$ 701,664</u></u> |

STUTSMAN RURAL WATER DISTRICT
SCHEDULE OF EXPENSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

ADMINISTRATIVE EXPENSES

| | |
|--------------------------------|--------------------------|
| Salaries | \$ 309,522 |
| Payroll taxes | 46,969 |
| Insurance, general | 21,489 |
| Insurance, group | 70,623 |
| Board and employee training | 5,534 |
| On-call pay | 73,229 |
| Vehicle, GPS | 999 |
| Office supplies and expense | 2,712 |
| Employee uniforms | 1,081 |
| Advertising | 962 |
| Postage | 12,917 |
| Telephone | 4,583 |
| Professional services | 29,804 |
| Licenses, fees and permits | 7,341 |
| Directors' fees | 10,348 |
| Repairs and maintenance | 3,641 |
| Dues and subscriptions | 6,703 |
| Travel and meetings | 993 |
| Bad debts | 504 |
| Utilities | 5,005 |
| Pension expense | 9,466 |
| Depreciation | 83,381 |
| Bond premium amortization | 2,100 |
| Credit Card processing Expense | 2,884 |
| Fax Office Expense | 605 |
| Administrative fees | 54,425 |
| Miscellaneous | 5,982 |
| Total administrative expenses | <u><u>\$ 773,802</u></u> |

STUTSMAN RURAL WATER DISTRICT
SCHEDULE OF WATER UTILITY OPERATIONS COSTS PER 1,000 GALLONS SOLD
FOR THE YEAR ENDED JUNE 30, 2024

| | | |
|---|---------------------|----------------------|
| Gallons Sold | 177,300,000 | |
| | | Per 1,000 Gallons |
| | Total | Sold |
| Operation and maintenance expenses (less depreciation) | \$ 424,995 | \$ 2.40 |
| Administrative expenses | 773,802 | 4.36 |
| Interest expense | 279,899 | 1.58 |
| Depreciation expense | 1,424,099 | 8.03 |
| | <u>\$ 2,902,795</u> | <u>\$ 16.37</u> |

STUTSMAN RURAL WATER DISTRICT
SCHEDULE OF WATER UTILITY OPERATIONS – MANAGEMENT BASIS
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|-------------------------------------|---------------------|
| Operating Revenue | |
| Water Utility | \$2,754,625 |
| Operations and maintenance expenses | |
| Chemicals | 57,218 |
| AMR fee expense | 30,084 |
| Consumer confidence report | 86 |
| Depreciation | 1,424,099 |
| Mobile and site telephone | 6,007 |
| Operating supplies | 122,858 |
| Power for pumping | 137,684 |
| Repairs and maintenance | 35,346 |
| Small tools expense | 1,567 |
| Vehicle and travel expense | 18,641 |
| Water purchase, City of Carrington | 9,324 |
| Water purchase, Ramsey Rural Water | 10 |
| Water purchase, JMST | 65 |
| Water testing | 6,105 |
| | <u>1,849,094</u> |
| Administrative expenses | |
| Salaries | 309,522 |
| Payroll taxes | 46,969 |
| Insurance, general | 21,489 |
| Insurance, group | 70,623 |
| Board and employee training | 5,534 |
| On-call pay | 73,229 |
| Vehicle, GPS | 999 |
| Office supplies and expense | 2,712 |
| Employee uniforms | 1,081 |
| Advertising | 962 |
| Postage | 12,917 |
| Telephone | 4,583 |
| Professional services | 29,804 |
| Licenses, fees and permits | 7,341 |
| Directors' fees | 10,348 |
| Repairs and maintenance | 3,641 |
| Dues and subscriptions | 6,703 |
| Travel and meetings | 993 |
| Bad debts | 504 |
| Utilities | 5,005 |
| Pension expense | 9,466 |
| Depreciation | 83,381 |
| Amortization | 2,100 |
| Administrative fees | 54,425 |
| Credit Card processing Expense | 2,884 |
| Fax Office Expense | 605 |
| Miscellaneous | 5,982 |
| Total administrative expenses | <u>773,802</u> |
| Interest expense | <u>279,899</u> |
| Total expenses | <u>2,902,795</u> |
| Loss from water utility operations | <u>\$ (148,170)</u> |

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

To the Board of Directors
Stutsman Rural Water District
Jamestown, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stutsman Rural Water District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Stutsman Rural Water District's basic financial statements, and have issued our report thereon dated October 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stutsman Rural Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stutsman Rural Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stutsman 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 over financial reporting 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 have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response 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 Stutsman 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*.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Stutsman Rural Water District's response to the finding identified in our audit and described in the accompanying schedule of finding and response. Stutsman Rural 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

October 1, 2024

STUTSMAN RURAL WATER DISTRICT
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2024

2024-001: Preparation of Financial Statements – Material Weakness

Criteria

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

Condition

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

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

District personnel prepare and provide the Board of Directors with financial statements and updated cost per 1,000 gallons report prior to each monthly Board of Director's meeting. The District's outstanding debt and reserves are reviewed on an ongoing basis during the fiscal year. Management believes that the Board is fully informed on the financial position of the District and that adequate internal controls exist to assure the Members of the integrity of the District's accounting practices and financial transactions.

In order to fully correct this finding, the District would need to hire another individual and provide additional training. The cost of hiring and training another individual must be weighed with the potential benefit to the District's Members. This plan may be implemented when the work load warrants the hiring of another individual and it becomes cost effective for the District. Until that time, the District will consider increasing the duties of the independent accounting firm that currently reviews its bank statements, accounts receivable and member accounts to include these duties. The District will also consider additional training for its current employees.