

**NORTH PRAIRIE REGIONAL WATER DISTRICT
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Prairie Regional Water District
Minot, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of North Prairie Regional Water District as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise North Prairie Regional 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 North Prairie Regional Water District as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 July 9, 2025 on our consideration of the North Prairie Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 North Prairie Regional 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 North Prairie Regional Water District's internal control over financial reporting and compliance.



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

July 9, 2025

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
Current assets:		
Cash and cash equivalents	\$ 6,698,247	\$ 6,334,858
Certificates of deposit	1,511,619	1,447,427
Accounts receivable (net of allowance of \$14,608 in 2024 and 2023)	676,612	699,313
Interest receivable	65,267	68,295
Grants receivable	-	337,589
Prepaid expenses	31,979	19,514
Total current assets	<u>8,983,724</u>	<u>8,906,996</u>
Capital assets:		
Land	146,270	146,270
Construction in progress	10,726,690	10,008,683
Buildings, water systems, and equipment, net	<u>52,410,110</u>	<u>54,114,813</u>
Total capital assets	<u>63,283,070</u>	<u>64,269,766</u>
Other assets:		
Cash reserved for debt service	1,699,331	1,617,865
Cash reserved for water cents program	282,375	102,996
Cash reserved for construction	36,586	101,418
Investments - certificates of deposit reserved for debt service	2,081,950	1,986,606
Investments - certificates of deposit reserved for water cents program	<u>78,750</u>	<u>233,500</u>
Total other assets	<u>4,178,992</u>	<u>4,042,385</u>
Total assets	<u>76,445,786</u>	<u>77,219,147</u>
LIABILITIES		
Current liabilities:		
Accounts payable	57,959	584,983
Accrued liabilities	96,203	76,792
Interest payable	246,568	249,596
Compensated absences	55,363	39,189
Current portion of loans and bonds payable	1,346,290	1,295,052
Unearned revenue	<u>56,820</u>	<u>54,420</u>
Total current liabilities	<u>1,859,203</u>	<u>2,300,032</u>
Long-term liabilities:		
Loans and bonds payable	27,456,723	28,476,649
Water cents program	<u>337,038</u>	<u>327,996</u>
Total long-term liabilities	<u>27,793,761</u>	<u>28,804,645</u>
Total liabilities	<u>29,652,964</u>	<u>31,104,677</u>
NET POSITION		
Net investment in capital assets	34,480,057	34,498,065
Restricted reserve for debt service	3,781,281	3,604,471
Restricted reserve for construction	36,586	101,418
Unrestricted	<u>8,494,898</u>	<u>7,910,516</u>
Total net position	<u>\$ 46,792,822</u>	<u>\$ 46,114,470</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUE		
Water sales	\$ 6,713,432	\$ 6,638,501
User agreement income	120,000	94,000
Sewer income	52,293	74,068
Penalty fee income	65,520	63,270
Transfer fee income	8,320	9,685
Other income	124,361	83,701
Total operating revenue	<u>7,083,926</u>	<u>6,963,225</u>
OPERATING EXPENSES		
Operations and maintenance		
Cost of water	1,177,516	1,282,077
Sewer expense	25,285	22,277
Contract management	5,759	5,490
Labor and benefits	1,003,456	981,829
Utilities	302,210	290,967
Chemical and supplies	222,522	215,926
Repairs and maintenance	611,669	508,708
Transportation expense	108,620	93,704
Bad debt expense	6,742	11,095
Administration and general expenses		
Billing and software support	70,209	42,590
Office repairs and maintenance	38,710	35,544
Postage and delivery	30,598	28,392
Dues, fees and subscriptions	57,844	53,476
Utilities	42,037	41,936
Training	9,047	5,285
Insurance	50,259	42,673
Board and meeting expense	82,360	21,746
Marketing and advertising	4,606	2,862
Legal and professional	266,446	148,327
Miscellaneous	27,016	3,117
Depreciation expense	2,367,345	2,342,313
Total operating expenses	<u>6,510,256</u>	<u>6,180,334</u>
OPERATING INCOME	<u>573,670</u>	<u>782,891</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	402,377	236,425
Gain (loss) on sale of fixed assets	9,242	(86,964)
Impact source fees	6,840	17,511
State grant revenue	490,966	3,070,198
Interest expense	(804,743)	(810,345)
Total nonoperating revenues (expenses)	<u>104,682</u>	<u>2,426,825</u>
CHANGE IN NET POSITION	<u>678,352</u>	<u>3,209,716</u>
NET POSITION - JANUARY 1	<u>46,114,470</u>	<u>42,904,754</u>
NET POSITION - DECEMBER 31	<u>\$ 46,792,822</u>	<u>\$ 46,114,470</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,121,097	\$ 6,932,840
Cash payments to suppliers	(3,663,523)	(3,428,044)
Cash payments to employees	(983,292)	(978,007)
Net cash provided by operating activities	<u>2,474,282</u>	<u>2,526,789</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,381,143)	(4,270,959)
Proceeds from sale of capital assets	9,736	14,260
Proceeds from loans and bonds payable	320,703	1,173,997
Payments of principal on loans and bonds payable	(1,289,391)	(1,263,841)
Impact source fees	6,840	17,511
Grant revenue	828,555	3,077,919
Interest paid on loans and bonds payable	(807,771)	(822,726)
Net cash used by capital and related financing activities	<u>(2,312,471)</u>	<u>(2,073,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income on investments	402,377	236,425
Purchases of certificates of deposits	(4,786)	(3,517,533)
Net cash provided by investing activities	<u>397,591</u>	<u>(3,281,108)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	559,402	(2,828,158)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>8,157,137</u>	<u>10,985,295</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 8,716,539</u></u>	<u><u>\$ 8,157,137</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 6,698,247	\$ 6,334,858
Cash reserved for debt service	1,699,331	1,617,865
Cash reserved for water cents program	282,375	102,996
Cash reserved for construction	36,586	101,418
	<u><u>\$ 8,716,539</u></u>	<u><u>\$ 8,157,137</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 573,670	\$ 782,891
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,367,345	2,342,313
Effects on operating cash flows due to changes in:		
Accounts receivable	22,701	16,152
Prepaid expenses	(12,465)	(2,430)
Interest receivable	3,028	(68,295)
Accounts payable	(527,024)	(565,350)
Accrued liabilities	19,411	1,798
Compensated absences	16,174	(2,048)
Unearned revenue	2,400	525
Water cents program	9,042	21,233
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,474,282</u>	<u>\$ 2,526,789</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING CAPITAL, AND FINANCING ACTIVITIES:		
Gain on forgiveness of principal on loans and bonds payable	\$ -	\$ 5,521
SCHEDULE OF OTHER CASH FLOW INFORMATION:		
Cash paid for interest	\$ 807,771	\$ 822,726

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of North Prairie Regional Water District ("the District") is presented to assist in understanding the District's financial statements.

The District reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting guidelines.

Nature of operations and history

In 2020, North Prairie Regional Water District was formed by combining North Prairie Rural Water District and North Central Regional Water District into one entity. North Prairie Regional Water District is organized as a municipal water system under North Dakota Century Code 61-35. Its purpose is to pump and distribute water to its users. It is exempt from federal income tax under section 501(C)1 of the Internal Revenue Code. The District is accounted for as a special purpose government engaged in a business-type activity. Business-type activities are used to account for operations that are financed or operated in a manner similar to the private sector, where the intent is that the costs of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

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 (GASB). North Prairie Regional Water 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. This criterion includes 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 specific financial burdens on the District. Component units may also include organizations that are fiscally dependent 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.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

Basis of accounting

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

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

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

Business-type activities distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses are those that generally result from providing service and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Revenue from water and sewer sales, user fees, penalties, transfer fees and other miscellaneous income are reported as operating revenue. Interest income and grant revenue received is reported as nonoperating revenue. All expenses related to operating the District are reported as operating expenses. Interest expense and financing costs are reported as nonoperating.

Cash and cash equivalents

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of cash set aside for the reserve for debt service and construction.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimated allowance for uncollectible accounts. Management determines the allowance for uncollectible accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Payments of trade receivables are applied to the earliest unpaid invoices. Once an accounts receivable is deemed uncollectible it is written off and recoveries of accounts receivable previously written off are recorded when received.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

Late fees are charged on trade receivables that are outstanding for more than 30 days and are recognized as they are charged. Late fees are charged until such time as the balance is determined to be uncollectible by management.

Grants receivable

Proceeds from grant awards are received on a reimbursement basis. Under the reimbursement basis, the expenses are incurred prior to the granting agency reimbursing funds. Grant revenue and related grant receivables are recognized when the expenses have been incurred, but not yet reimbursed.

Prepaid expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense at the time of consumption.

Investment policy

Investments are stated at cost. The District does not have a formal investment policy. State statutes authorize local governments to invest in:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
- (4) Obligations of the State.

Capital assets

Capital assets are recorded at historical cost less accumulated depreciation. A portion of the cost of the capital assets is charged against earnings each year as depreciation expense. Depreciation is computed on the straight-line basis, over the estimated useful life of the asset. Donated capital assets are recorded at estimated acquisition value at the date of donation. The District established a capitalization threshold of \$4,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The District has established the following useful lives:

Treatment Plant and System	15 to 100 years
Office and Storage Buildings	15 to 50 years
Equipment	5 to 50 years

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

Unearned revenue

The District charges a hook up fee to all potential customers as a result of new service projects. These fees are refundable until the project bid is accepted and approved. Once the project is approved, these fees are recognized as revenues.

Long-term debt

The long-term debt consists primarily of loans and bonds payable. Bond premiums and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

Water cents program liability

The Water Cents Program liability consists of deposits from customers of the District to be awarded in the form of scholarships to area high school or college students who receive water service from the District, whose family receives water service from the District, or to students who are enrolled in the Bismarck State College Water & Wastewater technology course that are receiving water service from the District. Each year, at the District's annual meeting, individual scholarships are awarded to applicants.

Employee benefit plan

The District established a Simple IRA plan as of March 1, 2010. The Plan is a defined contribution plan covering all employees of the company after 90 days of employment. The District matches 100% of employee elective deferrals up to 3% of the employee's gross salary. Employees are allowed to contribute up to the IRS limits. District contributions to the plan totaled \$17,713 and \$17,885 for the years ended December 31, 2024 and 2023, respectively.

Compensated absences

District employees accumulate vacation hours for subsequent use or for payment upon termination or retirement. Vacation expenses to be paid in future periods are accrued when incurred. The District accrues 8-12 hours monthly for employees based on their years of employment with a carryover limit at year-end of 240 hours. District employees also accumulate sick hours for subsequent use that is not eligible for payment upon termination or retirement. They can accumulate 80 hours per year with a carryover limit at year-end of 720 hours.

The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

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 position is classified in the following three components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of assets restricted by constraints imposed by (1) external groups such as creditors, grantor, contributors or regulations of other governments; or (2) law through constitutional provisions or enabling legislation reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets."

Net position flow assumption

Sometimes, the government will fund capital outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of estimates

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

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial presentation. Such reclassifications had no effect on the change in net position as previously reported.

Change in accounting principle

The District implemented GASB Statement No. 101, *Compensated Absences*, during the year ended December 31, 2024. GASB Statement No. 101 enhances the accounting and financial reporting requirements for compensated absences.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

NOTE 2 CUSTODIAL CREDIT RISK

This is the risk that, in the event a financial institution fails, the District is unable to recover the value of its deposits, investment or collateral securities in the possession of the institution. In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds. As of December 31, 2024, all of the District's cash balances were either covered by FDIC insurance or collateral held in the District's name.

NOTE 3 GRANTS RECEIVABLE

Grants receivable for the years ended December 31, 2024 and 2023 consist of the following:

<u>Grant Receivable</u>	<u>2024</u>	<u>2023</u>
SWC Grant:		
Mountrail PH II & III	\$ -	\$ 71,572
HWY 52 Logan to Velva	-	266,017
Total	<u>\$ -</u>	<u>\$ 337,589</u>

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2024 and 2023 was as follows:

	Balance 1/1/2024	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2024
Capital assets, not being depreciated:				
Land	\$ 146,270	\$ -	\$ -	\$ 146,270
Construction in progress	10,008,683	808,702	90,695	10,726,690
Total	10,154,953	808,702	90,695	10,872,960
Capital assets, being depreciated:				
Water system and treatment plant	77,591,705	466,219	-	78,057,924
Office and storage buildings	497,591	111,546	-	609,137
Equipment	1,508,733	85,372	20,750	1,573,355
Total	79,598,029	663,137	20,750	80,240,416
Less accumulated depreciation:				
Water system and treatment plant	24,116,042	2,256,577	-	26,372,619
Office and storage buildings	273,318	19,227	-	292,545
Equipment	1,093,856	91,541	20,255	1,165,142
Total	25,483,216	2,367,345	20,255	27,830,306
Total capital assets being depreciated, net	54,114,813	(1,704,208)	495	52,410,110
Capital assets, net	\$ 64,269,766	\$ (895,506)	\$ 91,190	\$ 63,283,070
	Balance 1/1/2023	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	\$ 146,270	\$ -	\$ -	\$ 146,270
Construction in progress	5,994,980	4,013,703	-	10,008,683
Total	6,141,250	4,013,703	-	10,154,953
Capital assets, being depreciated:				
Water system and treatment plant	77,473,450	256,756	138,501	77,591,705
Office and storage buildings	497,591	-	-	497,591
Equipment	1,537,733	-	29,000	1,508,733
Total	79,508,774	256,756	167,501	79,598,029
Less accumulated depreciation:				
Water system and treatment plant	21,926,530	2,228,256	38,744	24,116,042
Office and storage buildings	252,488	20,830	-	273,318
Equipment	1,028,662	93,227	28,033	1,093,856
Total	23,207,680	2,342,313	66,777	25,483,216
Total capital assets being depreciated, net	56,301,094	(2,085,557)	100,724	54,114,813
Capital assets, net	\$ 62,442,344	\$ 1,928,146	\$ 100,724	\$ 64,269,766

Depreciation expense on capital assets for the years ended December 31, 2024 and 2023 totaled \$2,367,345 and \$2,342,313, respectively.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

NOTE 5 COMPENSATED ABSENCES

A summary of compensated absences as of December 31, 2024 and 2023 was as follows:

	2024	2023
Balance - January 1	\$ 39,189	\$ 41,237
Net change	16,174	(2,048)
Balance - December 31	<u>\$ 55,363</u>	<u>\$ 39,189</u>

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the years ended December 31, 2024 and 2023:

	Balance 1/1/2024	Additions	Reductions	Balance 12/31/2024	Due within one year
Notes payable					
Rural Development - Ward McLean	\$ 4,108,031	\$ -	\$ 89,967	\$ 4,018,064	\$ 92,440
CoBank - Plaza Project	224,851	-	17,335	207,516	18,348
USDA - Berthold Carpio Phase II	753,922	-	12,264	741,658	12,264
USDA - GSD	2,186,269	-	35,565	2,150,704	35,565
Bonds					
BND - 2007 Revenue Bonds	1,165,000	-	375,000	790,000	390,000
BND - 2014 Revenue Bonds - Series A	2,625,000	-	125,000	2,500,000	130,000
BND - 2016 Revenue Bonds	825,083	-	25,000	800,083	30,000
BND - 2016B Revenue Bonds - S. Transmission	173,515	-	11,525	161,990	11,686
BND - 2017A Revenue Bonds - Berthold Carpio	157,064	-	10,164	146,900	10,317
BND - 2017B Revenue Bonds - GSD	101,548	-	6,571	94,977	6,670
BND - 2018 Revenue Bonds	296,000	-	10,000	286,000	12,000
BND - 2019 Revenue Bonds	2,895,000	-	90,000	2,805,000	95,000
BND - 2019 Revenue Bonds - Anamoose WTR	366,000	-	11,000	355,000	12,000
BND - 2020 Revenue Bonds - Series A (NP)	2,445,000	-	65,000	2,380,000	70,000
BND - 2020 Revenue Bonds - Series A (NC)	8,930,000	-	255,000	8,675,000	260,000
BND - 2021 Revenue Bonds	94,224	-	5,000	89,224	5,000
BND - 2021B Revenue Bonds	876,146	46,950	95,000	828,096	100,000
BND - 2021C Revenue Bonds	1,549,048	273,753	50,000	1,772,801	55,000
Total	<u>\$ 29,771,701</u>	<u>\$ 320,703</u>	<u>\$ 1,289,391</u>	<u>\$ 28,803,013</u>	<u>\$ 1,346,290</u>

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

	Balance 1/1/2023	Additions	Reductions	Forgiven	Balance 12/31/2023	Due within one year
Notes payable						
Rural Development - Ward McLean	\$ 4,195,590	\$ -	\$ 87,559	\$ -	\$ 4,108,031	\$ 89,966
CoBank - Plaza Project	241,293	-	16,442	-	224,851	17,335
USDA - Berthold Carpio Phase II	765,463	-	11,560	-	753,903	11,907
USDA - GSD	2,219,735	-	33,523	-	2,186,212	34,528
Bonds						
BND - 2007 Revenue Bonds	1,530,000	-	365,000	-	1,165,000	375,000
BND - 2014 Revenue Bonds - Series A	2,750,000	-	125,000	-	2,625,000	125,000
BND - 2016 Revenue Bonds	860,000	-	25,000	-	835,000	30,000
BND - 2016B Revenue Bonds - S. Transmission	174,943	-	11,194	-	163,749	11,503
BND - 2017A Revenue Bonds - Berthold Carpio	167,078	-	10,089	-	156,989	10,241
BND - 2017B Revenue Bonds - GSD	108,022	-	6,474	-	101,548	6,572
BND - 2018 Revenue Bonds	306,000	-	10,000	-	296,000	12,000
BND - 2019 Revenue Bonds	2,985,000	-	90,000	-	2,895,000	90,000
BND - 2019 Revenue Bonds - Anamoose WTR	377,000	-	11,000	-	366,000	11,000
BND - 2020 Revenue Bonds - Series A (NP)	2,510,000	-	65,000	-	2,445,000	65,000
BND - 2020 Revenue Bonds - Series A (NC)	9,175,000	-	245,000	-	8,930,000	255,000
BND - 2021 Revenue Bonds	97,384	7,361	5,000	5,521	94,224	5,000
BND - 2021B Revenue Bonds	671,704	299,442	95,000	-	876,146	95,000
BND - 2021C Revenue Bonds	732,854	867,194	51,000	-	1,549,048	50,000
Total	<u>\$ 29,867,066</u>	<u>\$ 1,173,997</u>	<u>\$ 1,263,841</u>	<u>\$ 5,521</u>	<u>\$ 29,771,701</u>	<u>\$ 1,295,052</u>

Notes payable

Rural Development – Ward McLean: In 2013, the District entered into a long-term loan agreement with United States Rural Development whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$4,885,350. Monthly principal and interest payments began in 2014. The loan carries an interest rate of 2.75% and will mature in May 2053.

CoBank – Plaza Project: In 2013, the District entered into a long-term loan agreement with CoBank whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$355,000. Monthly principal and interest payments began in 2014. The loan carries an interest rate of 5.50% and will mature in December 2033.

USDA – Berthold Carpio Phase II: In 2019, the District entered into a long-term loan agreement with USDA whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$797,200. Annual principal and interest payments began in 2020. The loan carries an interest rate of 3.00% and will mature in December 2059.

USDA – Granville Surrey Deering: In 2019, the District entered into a long-term loan agreement with USDA whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$2,311,769. Annual principal and interest payments began in 2020. The loan carries an interest rate of 3.00% and will mature in December 2059.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

Revenue bonds

BND – 2007 Revenue Bonds: In 2007, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$5,700,000 and are held with the North Dakota Public Finance Authority. Principal and interest payments are due March 1 and September 1 of each year. These bonds carry an interest rate of 2.50% and will mature on September 1, 2026.

BND – 2014 Revenue Bonds – Series A: In 2014, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,100,000 and are held at Northland Trust Services. Principal and interest payments are due on March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 2.10% to 4.30% and will mature on September 1, 2039.

BND – 2016 Revenue Bonds: In 2016, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$1,126,000 with \$1,021,590 being utilized. These bonds are held with the North Dakota Public Finance Authority. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 2.00% and will mature on September 1, 2046.

BND – 2016B Revenue Bonds - S. Transmission: In 2016, the District entered into a long-term loan agreement with the Bank of North Dakota whereby the District pledges income derived from the acquired or constructed assets to pay debt service. The loan was in the amount of \$239,975. Principal and interest payments are due April 24 and October 24 of each year. The loan carries an interest rate of 1.50% and will mature on October 24, 2036.

BND – 2017A Revenue Bonds – Berthold Carpio: In 2017, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$215,000 and are held with the Bank of North Dakota. Principal and interest payments are due February 1 and August 1 of each year. These bonds carry an interest rate of 1.50% and will mature on August 1, 2037.

BND – 2017B Revenue Bonds – Granville Surrey Deering: In 2017, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$139,000 and are held with the Bank of North Dakota. Principal and interest payments are due February 1 and August 1 of each year. These bonds carry an interest rate of 1.50% and will mature on August 1, 2037.

BND – 2018 Revenue Bonds: In 2018, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$450,000 with \$347,782 being utilized. These bonds are held with the North Dakota Public Finance Authority. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2048.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

BND – 2019 Revenue Bonds: In 2019, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,367,000 with \$3,327,185 being utilized. The bonds are held with the North Dakota Public Finance Authority. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2048.

BND – 2019 Revenue Bonds – Anamoose WTR: In 2019, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$428,000 with \$416,248 being utilized. These bonds are held with the North Dakota Public Finance Authority. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2049.

BND – 2020 Revenue Bonds – Series A (NP): In 2020, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$2,745,000 and are held with Zions Bancorporation. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 1.25% to 3.00% and will mature on September 1, 2049.

BND – 2020 Revenue Bonds – Series A (NC): In 2020, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$9,825,000 and are held with Zions Bancorporation. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate that ranges from 2.125% to 3.125% and will mature on September 1, 2051.

BND – 2021 Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds which are held with the North Dakota Public Finance Authority. These bonds were in the amount of \$383,000 and qualified for forgiveness in the amount of \$287,250. In March 2022, a \$70,000 increase in the bonds was closed, bringing the total bond issuance to \$453,000 and qualifying for forgiveness in the amount of \$339,750. As the loan is drawn upon, the District receives 75% of the amount drawn as forgiveness. Therefore, the District has a maximum loan amount of \$113,250. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2039.

BND – 2021B Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds. These bonds were in the amount of \$3,825,000 and are held with the North Dakota Public Finance Authority. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2052.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

BND – 2021C Revenue Bonds: In 2021, the District issued revenue bonds whereby the District pledges water sales revenue derived from the enterprise operations to pay the bonds which are held by the North Dakota Public Finance Authority. These bonds were in the amount of \$1,151,000 which increased by \$956,000 in May of 2023, bringing the total bond issuance to \$2,107,000. The District is still drawing on the bond. Principal payments are due annually on September 1. Interest is due March 1 and September 1 of each year. These bonds carry an interest rate of 1.50% and will mature on September 1, 2052.

The District complied with all covenants on their loans as of December 31, 2024.

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

Year Ending	Principal		Interest		Total
	Revenue Bonds	Notes Payable	Revenue Bonds	Notes Payable	
2025	\$ 1,187,673	\$ 158,616	\$ 545,099	\$ 208,187	\$ 2,099,575
2026	1,213,108	163,628	517,074	203,175	2,096,985
2027	823,548	168,811	488,094	197,992	1,678,445
2028	850,991	174,149	468,535	192,654	1,686,329
2029	877,450	179,717	448,017	184,086	1,689,270
2030 - 2034	4,414,400	958,493	1,925,152	846,006	8,144,051
2035 - 2039	4,474,017	981,775	1,402,760	705,541	7,564,093
2040 - 2044	3,754,000	1,129,178	875,093	558,137	6,316,408
2045 - 2049	3,087,083	1,298,757	427,120	388,559	5,201,519
2050 - 2054	1,002,801	1,287,898	88,123	193,544	2,572,366
2055 - 2059	-	616,920	-	56,285	673,205
	<u>\$ 21,685,071</u>	<u>\$ 7,117,942</u>	<u>\$ 7,185,067</u>	<u>\$ 3,734,166</u>	<u>\$ 39,722,246</u>

NOTE 7 LEASE

The District entered into a five-year lease agreement for the rental of a skid steer beginning November 25, 2019. The lease required an advance lease payment of \$764 and monthly payments of \$707. When the lease agreement matured on November 25, 2024, the District purchased the skid steer.

Rent expense totaled \$7,068 and \$8,481 for the years ended December 31, 2024 and 2023, respectively.

NOTE 8 COMMITMENTS

Water sales agreements – The District has water contracts with the Cities of Sawyer, Ryder, Granville, Plaza, Surrey and Burlington, North Dakota, whereby the District sells water at rates established in the contracts. The rates paid by the District under the contract are subject to review at intervals as it deems appropriate or explicitly stated in the contract.

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

Construction in progress – The District has entered into agreements relating to the construction of several water expansion projects. The following is a summary of the remaining commitments by project:

Project	Total Cost of Project	Remaining Commitment
Mountrail Phases II & III	\$ 663,000	\$ 2,466
Logan & Swedlund Booster Station	1,636,000	16,780
Total	<u>\$ 2,299,000</u>	<u>\$ 19,246</u>

NOTE 9 CONCENTRATION OF CREDIT RISK

North Prairie Regional Water District, located in Minot, North Dakota, provides a comprehensive water supply to meet the needs for north central North Dakota. The District grants credit to customers located within this service area. The amount of accounting loss could be equivalent to the accounts receivable balance at year end.

NOTE 10 RISK MANAGEMENT

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

The District also participates in the North Dakota Fire and Tornado 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 estimated replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District also participates in Workforce Safety Insurance and purchases commercial insurance for employee health and accident insurance.

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

NORTH PRAIRIE REGIONAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024 AND 2023

NOTE 11 FEDERAL AND STATE GRANTS

The District receives grant funds from various state and federal agencies from time to time. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12 FUTURE GASB PRONOUNCEMENTS

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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 9, 2025, which is the date these financial statements were available to be issued.

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

To the Board of Directors
North Prairie Regional Water District
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of North Prairie Regional Water District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise North Prairie Regional Water District's basic financial statements and have issued our report thereon dated July 9, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Prairie Regional 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 North Prairie Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Prairie Regional Water District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

North Prairie Regional Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on North Prairie Regional Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. North Prairie Regional Water District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

July 9, 2025

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2024

Findings Relating to Financial Statements

2024-001 *Preparation of Financial Statements – Material Weakness*

Criteria:	An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America. This requires the District personnel to maintain knowledge of current accounting principles and required financial statement disclosures.
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 to review a financial statement disclosure checklist.
Views of responsible officials and corrective actions:	Due to the small size of the District's accounting department, it is not cost effective for the District to properly address this material weakness.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2024

2024-002 *Segregation of Duties – Significant Deficiency*

Criteria:	A proper system of internal controls has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.
Condition:	There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.
Cause:	The District is subject to size and budget constraints limiting the number of personnel within the accounting department.
Effect:	The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.
Views of responsible officials and corrective actions:	The Board will review the accounting functions and will strive to improve in areas that are economically feasible.

NORTH PRAIRIE REGIONAL WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2024

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

Criteria: An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America. This requires the District personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

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.

Indication of repeat finding: This is a repeat finding. See finding 2024-001.

2023-002 *Proposition of Journal Entries – Material Weakness*

Criteria: The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition: During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Indication of repeat finding: This finding was corrected during FY 2024.

2023-003 *Segregation of Duties – Significant Deficiency*

Criteria: A proper system of internal controls has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition: There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Indication of repeat finding: This is a repeat finding. See finding 2024-002.