

South Central Regional Water District

Audit Report

December 31, 2024 and 2023

South Central Regional Water District
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities of South Central Regional Water District, Bismarck, North Dakota, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Central Regional Water District, as of December 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, South Central Regional Water District has changed its method of accounting for compensated absences in the years ended December 31, 2024 and 2023 due to the adoption of GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Regional Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2025, on our consideration of South Central Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Regional Water District's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 15, 2025

SOUTH CENTRAL REGIONAL WATER DISTRICT

Statements of Net Position

December 31, 2024 and 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,035,458	\$ 10,721,966
Accounts Receivable, Net	368,089	380,684
Accounts Receivable - Other	604,109	119,734
Inventory	108,890	127,208
Prepaid Expenses	44,966	43,635
Interest Receivable	46,067	13,641
Total Current Assets	<u>13,207,579</u>	<u>11,406,868</u>
INVESTMENTS		
Certificates of Deposit	90,152	89,568
Reserved for Debt Service	2,415,016	2,387,717
Total Investments	<u>2,505,168</u>	<u>2,477,285</u>
CAPITAL ASSETS		
Construction in Progress	6,111,547	135,473
Water Treatment Plant & System	136,560,673	136,057,762
Less: Accumulated Depreciation	<u>(31,141,813)</u>	<u>(29,183,525)</u>
Net Capital Assets	<u>111,530,407</u>	<u>107,009,710</u>
OTHER ASSETS		
Deferred Debits		
Water Supply Agreement, Net	690,653	747,553
Patronage Capital Credits	546,796	491,513
Total Other Assets	<u>1,237,449</u>	<u>1,239,066</u>
TOTAL ASSETS	<u>128,480,603</u>	<u>122,132,929</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	484,037	1,600
Repairs Payable	33,782	-
Accrued Interest	157,740	160,373
Accrued Vacation and Benefits Payable	127,850	121,421
Accrued Sick Leave , Current Portion	14,401	13,777
Advances for Expansion	18,000	18,000
Loans and Bonds Payable, Current Portion	1,860,676	1,806,929
Unearned Revenue - Base Fees, Current Portion	100,321	100,321
Total Current Liabilities	<u>2,796,807</u>	<u>2,222,421</u>
NONCURRENT LIABILITIES		
Accrued Sick Leave, Noncurrent Portion	60,268	49,573
Loans and Bonds Payable, Noncurrent Portion	20,616,629	21,013,226
Unearned Revenue - Base Fees, Noncurrent Portion	1,513,069	1,613,391
Total Noncurrent Liabilities	<u>22,189,966</u>	<u>22,676,190</u>
TOTAL LIABILITIES	<u>24,986,773</u>	<u>24,898,611</u>
NET POSITION		
Net Investment in Capital Assets	89,053,102	84,189,555
Restricted, Nonexpendable for Debt Service	2,415,016	2,387,717
Unrestricted	<u>12,025,712</u>	<u>10,657,046</u>
TOTAL NET POSITION	<u>\$ 103,493,830</u>	<u>\$ 97,234,318</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUE		
Metered Sales	\$ 7,945,293	\$ 7,613,955
Waste Water Income	153,122	127,326
Forfeited Discounts	32,482	36,574
Connection Fees	211,900	176,668
Connection Fees - Waste Water	10,000	4,000
Advance for Construction	386,444	251,107
Miscellaneous Service Revenues	13,486	12,746
Total Operating Revenue	<u>8,752,727</u>	<u>8,222,376</u>
OPERATING EXPENSES		
Purchased Water	735,284	519,064
Depreciation	1,958,288	1,994,660
Plant Operations and Maintenance	2,150,570	2,171,326
Expansion Promotion	36,087	-
General and Administrative Salaries	409,860	442,262
Accounting and Collection Labor	238,361	233,193
Amortization	56,900	56,900
Leases	20,404	19,503
Employee Benefits	432,867	394,084
Mapping Labor and Supply	6,051	10,426
Taxes Other Than Income	113,323	108,371
Transportation	98,423	99,750
Outside Services Employed	68,754	113,213
Purchased Power	379,780	505,993
Membership Functions	31,764	30,130
Miscellaneous General	28,989	28,558
Office Supplies	48,747	47,245
Property and Liability Insurance	59,889	51,667
Building Expense and Maintenance	40,929	62,929
Waste Water	111,204	83,020
Water Testing	44,189	46,812
Miscellaneous Tools Expense	5,865	10,346
Total Operating Expenses	<u>7,076,528</u>	<u>7,029,452</u>
OPERATING INCOME (LOSS)	<u>1,676,199</u>	<u>1,192,924</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue Federal	121,852	335,102
Grant Revenue State	4,481,680	101,605
Interest Income	557,651	441,430
Gain/(Loss) on Disposition	-	17,000
Insurance Proceeds	80,127	-
Bond Administration Costs	(57,445)	(62,460)
Interest on Long-term Debt	(600,552)	(637,055)
Total Non-Operating Revenues (Expenses)	<u>4,583,313</u>	<u>195,622</u>
CHANGE IN NET POSITION	6,259,512	1,388,546
NET POSITION - BEGINNING OF YEAR	97,234,318	95,919,882
PRIOR PERIOD ADJUSTMENT	-	(74,110)
NET POSITION - BEGINNING OF YEAR AS RESTATED	<u>97,234,318</u>	<u>95,845,772</u>
NET POSITION - END OF YEAR	<u>\$ 103,493,830</u>	<u>\$ 97,234,318</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Operating cash receipts from customers	\$ 7,958,725	\$ 7,927,756
Proceeds from connection fees	221,900	180,668
Cash payments to suppliers for goods and services	(3,126,888)	(3,609,838)
Cash payments to employees for services	(1,383,498)	(1,370,884)
NET CASH FROM OPERATING ACTIVITIES	<u>3,670,239</u>	<u>3,127,702</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	(83,163)	(86,855)
Interest received	525,225	431,001
NET CASH FROM INVESTING ACTIVITIES	<u>442,062</u>	<u>344,146</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to plant	(6,478,986)	(352,802)
Insurance proceeds	80,127	-
Interest payment on debt	(603,187)	(648,505)
Principal payments on long-term debt	(1,806,927)	(1,760,359)
Proceeds from advances on long-term debt	1,464,077	-
Bond administration costs	(57,445)	(62,460)
Grant proceeds	4,603,532	436,707
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,798,809)</u>	<u>(2,387,419)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,313,492	1,084,429
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,721,966</u>	<u>9,637,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 12,035,458</u></u>	<u><u>\$ 10,721,966</u></u>
OPERATING ACTIVITIES RECONCILIATION		
Operating income (loss)	\$ 1,676,199	\$ 1,192,924
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	2,015,188	2,051,560
Changes in assets and liabilities		
(Increase) decrease in receivables	(471,780)	(13,631)
(Increase) decrease in inventory	18,318	(11,754)
(Increase) decrease in prepaid expenses	(1,331)	1,364
Increase (decrease) in accounts payable	482,437	-
Increase (decrease) in repairs payable	33,782	-
Increase (decrease) in unearned revenue - base fees	(100,322)	(100,321)
Increase (decrease) in accrued expenses	17,748	7,560
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 3,670,239</u></u>	<u><u>\$ 3,127,702</u></u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash, Cash Equivalents and Investments

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

State statutes authorize the District to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above; c) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state; d) Obligations of the state. Investments are stated at fair value for debt securities as required by GASB 31 and cost for certificates of deposit. All investments are reported at current fair market value.

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

Accounts Receivable - Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Customer account balances with invoices dated over 60 days old are considered delinquent. Payments of trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management's estimate is based on past history of write-offs and the balance of uncollectible accounts greater than ninety days past due. The estimated allowance at December 31, 2024 and 2023 was \$500.

Inventory - Inventories are stated at cost.

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

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

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

Subsequent Events – The District has evaluated subsequent events through April 15, 2025, the date which the financial statements were available to be issued.

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncement – The following accounting pronouncement has been implemented for the year ended December 31, 2024:

GASB Statement No. 101, *Compensated Absences* – This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. By aligning recognition and measurement guidance for compensated absences under a unified model, more relevant, reliable, consistent and comparable information about compensated absences will be provided to financial statement users.

NOTE 2 - DEPOSITS

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

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

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

As of December 31, 2024, the District's carrying balances were \$14,540,626. The bank balance of these deposits as of December 31, 2024 was \$15,280,964. Of the bank balances, \$2,663,316 was covered by Federal Depository Insurance or guaranteed by the state of North Dakota and \$12,617,648 was collateralized with securities held by the District's agent but not in the District's name.

NOTE 3 - INVESTMENTS

At December 31, 2024, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 2.50 percent to 3.90 percent with terms from one to two years.

NOTE 4 – ACCOUNTS RECEIVABLE

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 5 – WATER PLANT

As of December 31, 2024:

	<u>Balance 1/1/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/24</u>
Water Plant Cost				
<u>Source of Supply</u>				
Wells and Springs	\$ 3,220,744	\$ -	\$ -	\$ 3,220,744
Wells and Springs - Emmons	2,775,713	-	-	2,775,713
Supply Mains	414,334	-	-	414,334
	<u>6,410,791</u>	<u>-</u>	<u>-</u>	<u>6,410,791</u>
<u>Pumping Plant</u>				
Structure and Improvements	111,916	-	-	111,916
Structure and Improvements - Emmons	212,906	-	-	212,906
Electric Pumping Equipment	253,153	-	-	253,153
	<u>577,975</u>	<u>-</u>	<u>-</u>	<u>577,975</u>
<u>Water Treatment</u>				
Structure and Improvements	9,894,366	-	-	9,894,366
Structure and Improvements - Emmons	7,969,046	-	-	7,969,046
Water Treatment Equipment	6,606,365	-	-	6,606,365
Water Treatment Equipment - Emmons	4,676,763	-	-	4,676,763
	<u>29,146,540</u>	<u>-</u>	<u>-</u>	<u>29,146,540</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	471,709	-	-	471,709
Distribution Reservoirs	4,949,419	-	-	4,949,419
Distribution Reservoirs - Emmons	3,091,132	-	-	3,091,132
Transmission and Distribution	31,471,613	-	-	31,471,613
Transmission and Distribution - Emmons	51,391,574	-	-	51,391,574
Service	2,548,204	-	-	2,548,204
Meter Units	3,667,494	502,911	-	4,170,405
	<u>97,591,145</u>	<u>502,911</u>	<u>-</u>	<u>98,094,056</u>
<u>General Plant</u>				
Furniture and Equipment	264,170	-	-	264,170
Transportation Equipment	286,107	-	-	286,107
Transportation Equipment - Emmons	90,607	-	-	90,607
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	549,733	-	-	549,733
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	94,638	-	-	94,638
Miscellaneous Equipment - Emmons	6,950	-	-	6,950
Building	909,361	-	-	909,361
	<u>2,243,353</u>	<u>-</u>	<u>-</u>	<u>2,243,353</u>
<u>Nondepreciable Property</u>				
Land and Land Rights	87,958	-	-	87,958
Construction in Progress	135,473	5,976,074	-	6,111,547
	<u>223,431</u>	<u>5,976,074</u>	<u>-</u>	<u>6,199,505</u>
 Total Water Plant in Service Cost	 <u>136,193,235</u>	 <u>6,478,985</u>	 <u>-</u>	 <u>142,672,220</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 5 – WATER PLANT CONTINUED

	Balance 1/1/24	Additions	Retirements	Balance 12/31/24
Less Accumulated Depreciation				
<u>Source of Supply</u>				
Wells and Springs	616,265	42,259	-	658,524
Wells and Springs - Emmons	407,109	37,010	-	444,119
Supply Mains	109,151	5,924	-	115,075
	<u>1,132,525</u>	<u>85,193</u>	<u>-</u>	<u>1,217,718</u>
<u>Pumping Plant</u>				
Structure and Improvements	57,230	1,492	-	58,722
Structure and Improvements - Emmons	23,669	2,838	-	26,507
Electric Pumping Equipment	251,394	587	-	251,981
	<u>332,293</u>	<u>4,917</u>	<u>-</u>	<u>337,210</u>
<u>Water Treatment</u>				
Structure and Improvements	1,598,427	130,726	-	1,729,153
Structure and Improvements - Emmons	1,167,572	106,254	-	1,273,826
Water Treatment Equipment	2,989,350	57,684	-	3,047,034
Water Treatment Equipment - Emmons	685,927	62,357	-	748,284
	<u>6,441,276</u>	<u>357,021</u>	<u>-</u>	<u>6,798,297</u>
<u>Transmission and Distribution Plant</u>				
Structures and Improvements	243,408	6,289	-	249,697
Distribution Reservoirs	1,033,692	66,226	-	1,099,918
Distribution Reservoirs - Emmons	379,926	36,766	-	416,692
Transmission and Distribution	9,066,662	448,932	-	9,515,594
Transmission and Distribution - Emmons	6,075,995	685,222	-	6,761,217
Service	1,005,082	36,402	-	1,041,484
Meter Units	2,289,567	157,830	-	2,447,397
	<u>20,094,332</u>	<u>1,437,667</u>	<u>-</u>	<u>21,531,999</u>
<u>General Plant</u>				
Furniture and Equipment	264,171	-	-	264,171
Transportation Equipment	221,238	37,251	-	258,489
Transportation Equipment - Emmons	90,607	-	-	90,607
Shop Tools and Equipment	35,987	-	-	35,987
Communication Equipment	95,206	7,102	-	102,308
Communication Equipment - Emmons	5,800	-	-	5,800
Miscellaneous Equipment	70,553	5,795	-	76,348
Miscellaneous Equipment - Emmons	6,950	-	-	6,950
Building	392,587	23,342	-	415,929
	<u>1,183,099</u>	<u>73,490</u>	<u>-</u>	<u>1,256,589</u>
 Total Accumulated Depreciation	 <u>29,183,525</u>	 <u>1,958,288</u>	 <u>-</u>	 <u>31,141,813</u>
 Water Plant in Service, Net	 <u>\$ 107,009,710</u>	 <u>\$ 4,520,697</u>	 <u>\$ -</u>	 <u>\$ 111,530,407</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 5 – WATER PLANT CONTINUED

As of December 31, 2023:

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 5 – WATER PLANT CONTINUED

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 6 – LONG-TERM DEBT

As of December 31, 2024:

	Interest Rates	Maturity Date	Balance 1/1/24	Additions	Reductions	Balance 12/31/24	Current Maturities
2007 Series A Bonds	2.50%	10/01/27	\$ 1,929,000	\$ -	\$ 464,000	\$ 1,465,000	\$ 476,00
2008 Series A Bonds	2.50%	09/01/28	1,220,001	-	230,000	990,001	235,00
2010 Series A Bonds	2.50%	10/01/30	1,920,000	-	250,000	1,670,000	260,00
2012 Series A Bonds	0.95% - 4.00%	10/01/29	4,135,000	-	535,000	3,600,000	555,00
2013 Series A Bonds	2.50%	10/01/52	3,582,593	-	85,391	3,497,202	87,77
2013 Series B Bonds	2.50%	10/01/52	2,462,402	-	58,689	2,403,713	60,32
2015 Series A Bonds	2.75%	06/15/55	1,358,454	-	26,927	1,331,527	27,77
2015 Series B Bonds	3.00%	04/01/55	1,346,877	-	26,183	1,320,694	26,97
2016 Series A Bonds	2.00%	10/01/46	2,590,000	-	85,000	2,505,000	85,00
2016 Series B Bonds	1.88%	04/01/56	1,123,114	-	24,893	1,098,221	25,36
2016 Series C Bonds	3.00%	10/01/56	1,152,714	-	20,844	1,131,870	21,47
2024 Series A Bonds	1.50%	10/01/45	-	1,464,077	-	1,464,077	
			<u>\$ 22,820,155</u>	<u>\$ 1,464,077</u>	<u>\$ 1,806,927</u>	22,477,305	<u>\$ 1,860,67</u>
Less Current Maturities						(1,860,676)	
						<u>\$ 20,616,629</u>	

As of December 31, 2023:

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 6 – LONG-TERM DEBT - CONTINUED

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

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

<u>Year Ending 12/31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,860,676	\$ 593,595	\$ 2,454,271
2026	1,977,081	544,565	2,521,646
2027	2,027,654	492,902	2,520,556
2028	1,573,932	437,749	2,011,681
2029	2,011,306	394,943	2,406,249
2030-2034	2,656,363	1,496,755	4,153,118
2035-2039	2,658,500	1,205,718	3,864,218
2040-2044	3,008,253	884,964	3,893,217
2045-2049	2,527,301	477,969	3,005,270
2050-2054	1,884,433	162,444	2,046,877
2054-2056	291,806	8,773	300,579
	<u>\$ 22,477,305</u>	<u>\$ 6,700,377</u>	<u>\$ 29,177,682</u>

NOTE 7 – LINE OF CREDIT

The District has a \$500,000 line of credit with Dakota Community Bank. No funds have been advanced on this line of credit. Interest on the line of credit is 3.90 percent over the two-year CD rate.

NOTE 8 – DEFERRED DEBITS

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

NOTE 9 – ADVANCES FOR EXPANSION

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

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 10 – UNEARNED REVENUE – BASE FEES

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

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

NOTE 11 – PENSION PLAN

The District has a pension plan covering all full-time employees who have met certain service requirements. The District's cost for the years ended December 31, 2024, 2023, and 2022, was \$48,844, \$46,075, and \$45,764. The District must contribute an amount equal to 2% of participant's base compensation to the plan each year. The District will match the employee's contribution up to 4%.

NOTE 12 – RISK MANAGEMENT

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

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

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

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

NOTE 13 – COMPENSATED ABSENCES

South Central Regional Water District offers several types of leave benefits to employees. Vacation leave benefits are earned based on the length of service and are available on the anniversary date of employment. Employees may not carry over any more than 240 hours of unused vacation leave into the next year of employment on their anniversary date. Payment for unused vacation leave is made at the employee's base rate of pay upon termination of their employment. Employees also accrue sick leave benefits at a rate of 10 days per year (80 hours) and accumulate no more than a maximum of 90 days (720 hours) at any time. Employees are not paid for unused sick leave at termination of employment. Other leave benefits, both paid and unpaid, include leave of absence, bereavement, jury duty, voting, and military leave and are granted as needed with no accrual.

SOUTH CENTRAL REGIONAL WATER DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 13 – COMPENSATED ABSENCES – CONTINUED

The District implemented GASB Statement No. 101, *Compensated Absences* for the year ended December 31, 2024. For the purpose of determining the liability related to compensated absences, the employee's base rate of pay as of the date of the financial statements was used and the associated salary-related payments included the employer's share of Medicare, Social Security and Retirement. The liability includes accrued sick leave benefits attributable to services already rendered and more likely than not to be used for time off or otherwise paid in cash. No option for settlement through noncash means is provided by the District. Accrual for compensated absences for governmental activities at December 31, 2024, and 2023 is \$74,669 and \$63,350 respectively.

NOTE 14 – PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position at January 1, 2023, has been restated to reflect the implementation of GASB Statement No. 101, *Compensated Absences*. This statement is applied retroactively to each year presented in the financial statements. The calculated liability at December 31, 2022 is \$74,110. The effect of this calculation is an increase to liabilities and decrease in net position as follows:

	Net Position 12/31/2022
Beginning of Year, as previously reported	<u>\$ 95,919,882</u>
Implementation of GASB 101	<u>(74,110)</u>
Beginning of Year, as restated	<u><u>\$ 95,845,772</u></u>

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL REGIONAL WATER DISTRICT
Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed through ND Department of Environmental Quality</u>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	\$ 1,464,077
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<u>Passed through Burleigh County</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>121,852</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,585,929</u>

SOUTH CENTRAL REGIONAL WATER DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

NOTE 1 PURPOSE OF SCHEDULE

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation: Federal Financial Assistance - Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. South Central Regional Water District received no nonmonetary federal assistance during the year ended December 31, 2024. Federal financial assistance does not include direct federal cash assistance to individuals.

Assistance Listing – Uniform Guidance requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Assistance Listing (AL). The AL is a government wide compendium of individual federal programs.

B. Major Programs: The Uniform Guidance established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was \$750,000.

C. Reporting Entity: The schedule includes all federal financial assistance programs administered by the organization.

D. Basis of Accounting: Federal financial assistance expenditures included in the schedule are reported using the accrual basis of accounting.

E. Elections: The organization has not elected to use the 10 percent de minimis indirect cost rate.

NOTE 3 RECONCILIATION OF SEFA SCHEDULE TO FINANCIAL STATEMENTS

Per statement of revenues, expenses, and changes in
fund net position:

Grant Revenue Federal	\$ 121,852
Balance of SRF loan advanced	<u>1,464,077</u>
Total federal awards as stated on the SEFA schedule	<u><u>\$ 1,585,929</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of South Central Regional Water District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise South Central Regional Water District's basic financial statements, and have issued our report thereon dated April 15, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

South Central Regional Water District's Response to Findings

South Central Regional Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Central Regional Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 15, 2025

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

Governing Board
South Central Regional Water District
Bismarck, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Regional Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Central Regional Water District's major federal programs for the year ended December 31, 2024. South Central Regional Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Regional Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 15, 2025

SOUTH CENTRAL REGIONAL WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? No

Significant deficiency identified? None Reported

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

Any audit findings that are required to be reported
in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

66.468 Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as a low-risk auditee? No

SOUTH CENTRAL REGIONAL WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section II – Financial Statement Audit

Finding 2024-001: Segregation of Duties

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

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

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

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

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

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

Section III – Major Federal Award Programs Audit

None

Section IV – Prior Year Findings

Finding 2023-001: Segregation of Duties

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

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

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

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

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

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

Status of Finding – The finding is repeated in the current year. See 2024-001.



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Management's Response to Auditor's Findings
Summary Schedule of Prior Audit Findings and Corrective Action Plan
December 31, 2024

Prepared by
South Central Regional Water District

South Central Regional Water District
Corrective Action Plan
For the Year Ended December 31, 2024

Corrective Action Plan – December 31, 2024

2024-001: Segregation of Duties

Contact Person – Larry Kirschmann, CEO

Corrective Action Plan – This finding is noted together with the Board, the District will make every effort to ensure adequate internal controls. This condition is a repeat from prior years. Because of the very limited number of staff available to the District, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative would be the hiring of additional staff, and current cash flows do not justify it. The District has reviewed its internal controls and procedures in place and believe the procedures in place provide adequate controls under these circumstances.

Completion Date – The District will implement when it becomes cost effective.