



Financial Statements
December 31, 2021 and 2020
Cass Rural Water Users District

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Independent Auditor's Report

The Board of Directors
Cass Rural Water Users District
Kindred, North Dakota

Report on the Audited Financial Statements

Opinion

We have audited the financial statements of Cass Rural Water Users District ("the District"), as of and for the years ended December 31, 2021 and 2020, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 the 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 GAAS 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 the 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 the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Directors, Officers, and Manager and comparative schedule of operations but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Fargo, North Dakota
March 18, 2022

This section of the District's financial report presents our analysis of the District's financial performance during the fiscal years ended December 31, 2021 and 2020. Please read it in conjunction with the financial statements, which follow this section.

The information in this MDA is presented under the following headings:

- Financial Highlights
- Organization and Business
- Statement of Net Position Overview
- Capital Assets and Debt Administration
- Statement of Revenues, Expenses and Change in Net Position Overview
- Factors Bearing on the District's Future
- Request for Information

Financial Highlights

- Assets – Increased approximately \$2.8 million primarily due to completion of construction projects and other capital asset additions.
- Operating Expenses – Increased approximately 7.8% due to increases in purchased water expenses, as well as water treatment and testing expenses.

Organization and Business

Cass Rural Water Users District provides water service to approximately 7,400 rural residences and 14 communities in Cass County and parts of Trail, Barnes, Ransom and Richland counties serving a total estimated population of approximately 20,000 in a 2,000 square mile service area. The District is a political subdivision of the State of North Dakota pursuant to Chapter 61-35 of the North Dakota Century Code. The District recovers cost of service through user fees.

Statement of Net Position Overview

	2021	2020	2019
Assets			
Water Plant	\$ 60,808,528	\$ 59,620,524	\$ 55,381,185
Other property and investments	16,531,202	18,343,345	16,344,002
Current assets	15,104,412	11,697,792	9,958,290
Total assets	\$ 92,444,142	\$ 89,661,661	\$ 81,683,477
Liabilities			
Long-term debt, less current maturities	\$ 26,292,458	\$ 28,184,808	\$ 26,427,453
Current liabilities	4,150,646	3,166,626	2,866,699
Total liabilities	30,443,104	31,351,434	29,294,152
Net Position			
Net investment in capital assets	31,775,902	28,779,825	26,575,844
Restricted for debt service	13,183,530	13,407,039	10,610,695
Unrestricted	17,041,606	16,123,363	15,202,786
Total net position	62,001,038	58,310,227	52,389,325
Total liabilities and net position	\$ 92,444,142	\$ 89,661,661	\$ 81,683,477

The total assets of the District increased by 3.1%, from \$89.7 million to \$92.4 million. The approximate changes in the total assets is broken down as follows:

Water Plant in service and Construction in Progress	\$ 1,188,000
Current Assets	3,407,000
Other Property and Investments	(1,812,000)

The increase in Water Plant in service and Construction in Progress was a result of the completion of construction projects and other capital asset additions.

The increase in current assets was a result of an increase in cash and equivalents and new special assessments.

The decrease in other property and investments was decrease in long-term investments.

The net position of the District increased by approximately \$3.7 million.

Capital Assets and Debt Administration

At the end of 2021, the District had approximately \$60.8 million (net of accumulated depreciation) in a broad range of utility capital assets and other property. The investment in capital and other property assets includes land, buildings, improvements, water treatment plants, water transmission and distribution mains, water storage facilities, pump stations, machinery, equipment and certain intangible assets. The District's net revenue, long term debt and contributions from customers are used to finance these capital investments. More detailed information concerning the additions and retirements appears in Note 5 of the financial statements.

As of December 31, 2021, the District had total long term debt including current maturities outstanding of approximately \$29 million. The District invests funds in certificates of deposit and other similar investments in such a manner so that as these investments mature funds are available to make the necessary payments. As of December 31, 2021, the District had funds on hand to make all debt payments through the year 2021. The details of the various debt instruments are presented in more detail in Note 6 of the financial statements.

Statement of Revenues, Expenses and Change in Net Position Overview

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Revenues	\$ 10,862,512	\$ 9,839,977	\$ 10,068,642
Total Expenses	<u>7,949,365</u>	<u>7,428,361</u>	<u>6,998,960</u>
Income	2,913,147	2,411,616	3,069,682
Capital Contributions			
Special assessment	<u>777,664</u>	<u>3,509,286</u>	<u>745,000</u>
Change in Net Position	3,690,811	5,920,902	3,814,682
Net Position, Beginning of Year	<u>58,310,227</u>	<u>52,389,325</u>	<u>48,574,643</u>
Net Position, End of Year	<u><u>\$ 62,001,038</u></u>	<u><u>\$ 58,310,227</u></u>	<u><u>\$ 52,389,325</u></u>

Overall operating revenues increased by 11.1% or approximately \$920,000. Metered sales increased by approximately \$940,000. Overall operating expenses increased by 7.8% or approximately \$510,000. Purchased water expenses increased by 14.38% or approximately \$320,000. The increases in operating revenues and expenses were due to an increase of serviced customers, as well as additional usage. Special assessment capital contributions decreased by approximately \$2,700,000 due to less special assessment districts added in 2021 compared to 2020.

Factors Bearing on the District's Future

There are a number of factors or issues that have a bearing on the future of Cass Rural Water District that can be broken down as follows:

- **Water Supply** – Cass Rural Water District is dependent on ground water as its primary source of water. One of the three aquifers the District utilizes has a finite life of perhaps another 25 to 30 years. As a result, the District has been very active with the Lake Agassiz Water Authority to develop a more dependable source of water.
- **Territorial Integrity** – Due to the rapid growth of the urban areas around Fargo and West Fargo both cities have extended their boundaries into areas that overlap the District's boundary. To date the District has been able to negotiate reasonable arrangements with both cities to address these territorial issues. The District will continue to foster good working relationships with Fargo and West Fargo as well as making an effort to keep abreast of any legal developments in this area of federal law.
- **Federal Regulation** – Each year the Environmental Protection Agency issues new rules for the regulations of public drinking water systems. With each new regulation comes increased cost and additional record keeping requirements. The District is committed to meeting all applicable drinking water standards while keeping costs as reasonable as possible.

Request for Information

This financial report is designed to provide ratepayers and creditors with a general overview of the District's finances and demonstrate the District's accountability for monies it receives. If you have any questions about this report or need additional information, please contact: The General Manager, Cass Rural Water District, P.O. Box 98, Kindred, North Dakota 58051.

Cass Rural Water Users District
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Water Plant		
In service	\$ 76,937,917	\$ 74,946,983
Construction in progress	614,954	42,647
Total water plant	77,552,871	74,989,630
Less accumulated depreciation	16,744,343	15,369,106
Water plant - net	60,808,528	59,620,524
Other Property and Investments		
Intangible assets, net of accumulated amortization	4,169,355	4,690,524
Special assessment receivable, net of current portion	12,110,096	12,404,498
Patronage capital credits from nonassociated companies	251,751	243,323
Investments - long term	-	1,005,000
Total other property and investments	16,531,202	18,343,345
Current Assets		
Cash and cash equivalents	4,116,063	3,207,917
Cash and cash equivalents - restricted	4,236,185	4,035,028
Investments - short term	3,929,901	2,192,475
Accounts receivable	1,625,864	1,028,775
Delinquent special assessment receivables	96,802	169,887
Special assessment receivable, current portion	1,073,434	1,002,541
Prepaid items	26,163	25,060
Interest receivable	-	36,109
Total current assets	15,104,412	11,697,792
Total assets	\$ 92,444,142	\$ 89,661,661
Net Position and Liabilities		
Net Position		
Net investment in capital assets	31,775,902	28,779,825
Restricted for debt service	13,183,530	13,407,039
Unrestricted	17,041,606	16,123,363
Total net position	62,001,038	58,310,227
Long - Term Debt,		
Less current maturities	26,292,458	28,184,808
Current Liabilities		
Current maturities of long-term debt	2,740,168	2,655,891
Accounts payable	1,159,468	237,183
Construction payable	-	3,558
Accrued vacation	80,526	76,209
Accrued interest	170,484	193,785
Total current liabilities	4,150,646	3,166,626
Total net position and liabilities	\$ 92,444,142	\$ 89,661,661

Cass Rural Water Users District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Sales to customers	\$ 9,187,083	\$ 8,249,874
Miscellaneous	60,338	75,737
Total operating revenues	9,247,421	8,325,611
Operating Expenses		
Pumping	262,739	251,960
Water treatment and testing	214,368	181,758
Transmission and distribution	634,405	704,517
Administrative and general	1,293,797	1,152,328
Purchased water	2,574,292	2,250,620
Depreciation	1,448,716	1,383,164
Amortization	521,169	521,169
Taxes	94,693	87,591
Total operating expenses	7,044,179	6,533,107
Operating Income	2,203,242	1,792,504
Nonoperating Revenues (Expenses)		
Interest on special assessments	685,554	688,673
Investment income	17,372	117,610
Grant revenue	-	317,780
Membership revenue	111,661	33,950
Bond issuance costs	(46,325)	(17,525)
Construction revenues	297,473	348,030
Construction expenses	(35,878)	(25,960)
Miscellaneous revenue	503,031	51,808
Interest expense	(822,983)	(895,254)
Total nonoperating revenues (expenses), net	709,905	619,112
Income Before Capital Contributions	2,913,147	2,411,616
Capital Contributions		
Special assessments	777,664	3,509,286
Change in Net Position	3,690,811	5,920,902
Net Position, Beginning of Year	58,310,227	52,389,325
Net Position, End of Year	\$ 62,001,038	\$ 58,310,227

Cass Rural Water Users District
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Operating cash receipts from customers	\$ 8,650,332	\$ 8,285,606
Cash payments to suppliers for goods and services	(2,768,180)	(3,398,298)
Cash payments to employees for services	(1,289,480)	(1,146,422)
Miscellaneous payments	(94,693)	(87,591)
Net Cash from Operating Activities	4,497,979	3,653,295
Investing Activities		
Purchase of investments	(1,737,426)	-
Sale of investments	996,572	244,320
Interest received	53,481	93,858
Net Cash from (used for) Investing Activities	(687,373)	338,178
Capital and Related Financing Activities		
Interest payments on debt	(846,284)	(874,308)
Proceeds from long-term borrowings	3,130,000	4,415,091
Proceeds from special assessments	2,262,843	1,542,455
Payment of bond issuance costs	(46,325)	(17,525)
Proceeds from construction revenue, net	261,595	322,070
Additions to plant	(2,636,720)	(5,622,503)
Proceeds from grant revenue	-	317,780
Principal payments on long-term debt	(4,938,073)	(2,379,733)
Net Cash used for Capital and Related Financing Activities	(2,812,964)	(2,296,673)
Noncapital Financing Activities		
Membership revenue	111,661	33,950
Net Cash from Noncapital Financing Activities	111,661	33,950
Net Change in Cash and Cash Equivalents	1,109,303	1,728,750
Cash and Cash Equivalents, Beginning of Year	7,242,945	5,514,195
Cash and Cash Equivalents, End of Year	\$ 8,352,248	\$ 7,242,945
Cash and cash equivalents	\$ 4,116,063	\$ 3,207,917
Cash and cash equivalents - restricted	4,236,185	4,035,028
	\$ 8,352,248	\$ 7,242,945

Cass Rural Water Users District
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activity Reconciliation		
Operating income	\$ 2,203,242	\$ 1,792,504
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	1,448,716	1,383,164
Amortization of intangible assets	521,169	521,169
Changes in assets and liabilities		
Accounts receivable	(597,089)	(40,005)
Prepayments	(1,103)	(4,515)
Accounts payable	918,727	(17,350)
Accrued vacation	4,317	18,328
Net Cash from Operating Activities	\$ 4,497,979	\$ 3,653,295
Noncash Investing Activities		
Water plant included within construction payable	\$ -	\$ 3,558
Capital contribution recognized by special assessment	\$ 777,664	\$ 3,509,286

Note 1 - Organization and Nature of Operations

The District was organized and formally incorporated as of November 6, 1973, 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 September 1, 2002, the organization reorganized as a water district under the authority of the North Dakota Century Code Chapter 61-35. 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 cost of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

Note 2 - Summary of Significant Accounting Policies

General

The public utility activities of Cass Rural Water Users District (District) are non-regulated as such. However, the District follows the National Association of Regulatory Utility Commissioners' Uniform System of Accounts prescribed for Class A and B Water Utilities.

Reporting entity

For financial reporting purposes, a reporting entity's financial statements should include all component units over which another component unit (oversight unit) exercises financial accountability. Financial accountability includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Based upon the above criteria, the District is not includable as a component unit within another reporting entity and there are no component units to be included within the District as a reporting entity.

Basis of Accounting

The District's 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.

With respect to business-type activities, Cass Rural Water Users District has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." These 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.

Receivable and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customers are charged a one-time 10% charge for late payments. The receivables are non-interest bearing. Payments on trade receivables are applied to the latest 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. Based on management's assessment, uncollectible accounts are unlikely and therefore, an allowance for doubtful accounts has not been set up for the year ended December 31, 2021 and 2020.

Cash and Cash Equivalents

The District's cash and cash equivalents consist of all cash sources and certificates of deposit that have an original maturity of three months or less.

Cash and Cash Equivalents - Restricted

Cash and cash equivalents – restricted consist of funds restricted in accordance with bond indenture agreements and capital reserves.

Prepaid Items

Certain payments 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.

Plant Additions and Retirements

Water plant is stated at cost. The cost of additions to utility plant includes contracted work, direct labor and materials, and allocable overheads. 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. Capital assets are defined by the District as assets with an initial, individual cost equal to or greater than \$500, except for plant which is capitalized in their entirety.

Depreciation

The District utilizes composite depreciation methods for each distribution plant account. The rates are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are also utilized to assist with determining the appropriate rates.

Recoverability of Long-Lived Assets

The District reviews the carrying value of water plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2021 and 2020.

Intangible Assets

Intangible assets are stated at amortized cost. The intangible assets are the right to supply treated wastewater and treat the wastewater return flow for a period of years to come. They are being amortized on a straight-line basis over the life of the agreement, which is over 20 years. The project was completed at the end of 2009. The amortization expense recorded in 2021 and 2020 was \$521,169.

Operating and Nonoperating Revenues and Expenditures

The District reports operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sale of water. Operating expenses for the District include the costs of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

Revenue from water sales is reflected in the accounts at the time delivered.

Accounting Estimates

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

Business and Credit Risk

The District provides water service on account to its members which are located primarily in Cass County, North Dakota.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net position.

Note 3 - Deposits, Investments and Investment Income

The District's investments are generally reported at fair value, as discussed in Note 2. At December 31, 2021, the District had the following investments, all of which are held in the District's name by various custodial banks that were agents of the District:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
Certificate of Deposits	\$ 3,909,000	\$ 3,909,000	\$ -
Government National Mortgage Association	\$ 20,901	\$ 20,901	\$ -

As of December 31, 2020, the District has the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
Certificate of Deposits	\$ 3,170,000	\$ 2,165,000	\$ 1,005,000
Government National Mortgage Association	\$ 27,475	\$ 27,475	\$ -

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy to limit exposure to credit risk. The asset back securities noted above are not rated.

Concentration of Credit Risk

The District does not have a formal investment policy that limits the total amount of securities that can be held with any one company or government agency.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy to limit exposure to custodial credit risk.

Pledged Collateral

In accordance with North Dakota Century Code, the District maintains deposits at those depository banks and brokerages authorized by the Board of Directors, all of which are covered by Federal Depository Insurance or Securities Investor Protection. Century Code requires that all of the District's deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. At December 31, 2021, all deposits were insured or collateralized by securities held in the District's name. At December 31, 2020, deposits held with Kindred State Bank were not fully insured or collateralized by securities held in the District's name by \$745,931.

The carrying amount of deposits and investments shown above is in the District's balance sheet as follows:

	2021	2020
Carrying Amount		
Deposits in bank	\$ 8,352,248	\$ 7,242,945
Certificates of deposit	3,909,000	3,170,000
Asset backed securities	20,901	27,475
	<u>\$ 12,282,149</u>	<u>\$ 10,440,420</u>
Included in the Statement of Net Positions		
Cash and cash equivalents	\$ 4,116,063	\$ 3,207,917
Cash and cash equivalents - restricted for construction	34,371	49,168
Cash and cash equivalents - restricted for long term debt	4,201,814	3,985,860
Asset backed securities - short term	20,901	27,475
Certificates of deposit - short term	3,909,000	2,165,000
Certificates of deposit - long term	-	1,005,000
	<u>\$ 12,282,149</u>	<u>\$ 10,440,420</u>

Note 4 - Long-Term Receivables**Special Assessments**

Pursuant to N.D.C.C. Chapter 61-35, the District is authorized to levy special assessments to provide for the cost of construction, repair, alteration, operation, and maintenance of a project with funds raised by special assessments. The District issues special assessments against properties in order to offer water service into expanded territories. Special assessment payments are collected by the county and remitted to the District on a monthly basis.

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2021 and 2020

The following is a summary of special assessments receivable at December 31, 2021:

Improvement District	Initial Year	Final Year	Annual Payment	Interest Rate	Remaining Balance
Silverleaf and Custer Crossing	2007	2022	\$6,000 - \$24,000	5.20%	\$ 11,318
Maple Valley and Prairie Grove	2009	2023	\$30,000 - \$55,000	4.25 - 5.00%	91,831
Maple Valley and Prairie Grove Phase 2	2010	2024	\$21,000 - \$27,000	2.60 - 4.50%	65,394
Deer Creek, Silverleaf, Maple Valley, MGB, Beach Lane, and 73rd Ave	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	343,694
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	439,973
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	904,752
Crofton Cove, Deer Creek 4th, Golden Valley, and Crofton 2nd	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	1,480,549
Golden Valley 2nd, Deer Creek 5th, Rocking Horse 2nd, Crofton Coves, Prairie Farms 2nd, and Eagle Valley 2nd	2017	2031	\$250,000 - \$650,000	1.10 - 3.25%	2,771,127
Maple Valley, Eagle Point 3rd, Deer Creek 6th, Woodhurst 31st, Eagle Valley 1st, Lake Shure, and Wilds 8th	2018	2032	\$75,000 - \$240,000	1.75 - 3.65%	1,483,755
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	921,245
Rocking Horse 5th, Grayland First Phase, and Bison Meadows Phase 2	2020	2034	\$40,000 - \$55,000	1.60 - 2.30%	674,224
Eagle Valley 3rd, Madelyn Meadows 1st, Cub Creek 1st, 63rd St, Lakeview Dr, Wilds 11th, Bison Meadows 2nd, Golden Valley 2nd, Grayland 2nd	2021	2035	\$215,000 - \$800,000	0.40 - 2.00%	3,317,806
Golden Valley 4th and Madelyn Meadows 2nd	2022	2036	\$45,000 - \$275,000	.95 - 1.70%	774,664
					<u>\$ 13,280,332</u>
Included in the following statement of net position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 96,802
Special assessment receivable, current portion					1,073,434
Other Property and Investments					
Special assessment receivable, net of current portion					<u>12,110,096</u>
					<u>\$ 13,280,332</u>

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2021 and 2020

The following is a summary of special assessments receivable at December 31, 2020:

Improvement District	Initial Year	Final Year	Annual Payment	Interest Rate	Remaining Balance
Silverleaf and Custer Crossing	2007	2022	\$6,000 - \$24,000	5.20%	\$ 30,367
Maple Valley and Prairie Grove	2009	2023	\$30,000 - \$55,000	4.25 - 5.00%	138,979
Maple Valley and Prairie Grove Phase 2	2010	2024	\$21,000 - \$27,000	2.60 - 4.50%	85,274
Deer Creek, Silverleaf, Maple Valley, MGB, Beach Lane, and 73rd Ave	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	397,879
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	491,739
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	1,001,327
Crofton Cove, Deer Creek 4th, Golden Valley, and Crofton 2nd	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	1,634,805
Golden Valley 2nd, Deer Creek 5th, Rocking Horse 2nd, Crofton Coves, Prairie Farms 2nd, and Eagle Valley 2nd	2017	2031	\$250,000 - \$650,000	1.10 - 3.25%	3,007,746
Maple Valley, Eagle Point 3rd, Deer Creek 6th, Woodhurst 31st, Eagle Valley 1st, Lake Shure, and Wilds 8th	2018	2032	\$75,000 - \$240,000	1.75 - 3.65%	1,594,512
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	974,537
Rocking Horse 5th, Grayland First Phase, and Bison Meadows Phase 2	2020	2034	\$40,000 - \$55,000	1.60 - 2.30%	710,475
Eagle Valley 3rd, Madelyn Meadows 1st, Cub Creek 1st, 63rd St, Lakeview Dr, Wilds 11th, Bison Meadows 2nd, Golden Valley 2nd, Grayland 2nd	2021	2035	\$215,000 - \$800,000	0.40 - 2.00%	3,509,286
					<u>\$ 13,576,926</u>
Included in the following statement of net position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 169,887
Special assessment receivable, current portion					1,002,541
Other Property and Investments					
Special assessment receivable, net of current portion					<u>12,404,498</u>
					<u>\$ 13,576,926</u>

Note 5 - Water Plant and Depreciation

As of December 31, 2021:

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21
Classified Water Plant in Service				
Construction in progress	\$ 42,647	\$ 2,000,527	\$ 1,428,220	\$ 614,954
Intangible Plant				
Organization	3,191	-	-	3,191
Franchises and consents	316	-	-	316
	<u>3,507</u>	<u>-</u>	<u>-</u>	<u>3,507</u>
Distribution Plant				
Land and land rights	763,090	-	-	763,090
Collecting and impounding reservoirs	8,355,596	11,276	-	8,366,872
Wells	1,293,647	-	-	1,293,647
Electric pumping equipment	1,164,605	-	-	1,164,605
Water treatment equipment	5,543,829	-	-	5,543,829
Transmission and distribution mains	45,778,393	1,416,943	-	47,195,336
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Service leads	21,169	-	-	21,169
Meters	1,717,221	464,860	-	2,182,081
	<u>69,870,819</u>	<u>1,893,079</u>	<u>-</u>	<u>71,763,898</u>
General Plant				
Structures and improvements	2,184,489	-	-	2,184,489
Office furniture and equipment	289,068	15,533	-	304,601
Transportation equipment	389,700	112,421	67,729	434,392
Tools, shop and garage equipment	621,732	34,399	5,750	650,381
Other equipment - reservoir monitors	1,587,668	8,981	-	1,596,649
	<u>5,072,657</u>	<u>171,334</u>	<u>73,479</u>	<u>5,170,512</u>
Total water plant	<u>\$ 74,989,630</u>	<u>\$ 4,064,940</u>	<u>\$ 1,501,699</u>	<u>\$ 77,552,871</u>

Construction in progress as of December 31, 2021, consists of various expansion and improvement projects as follows:

Project	Expended as of 12/31/2021	Estimated Total Cost	Expected Completion Date
Diversion Impacts*	\$ 21,674	\$11,000,000 - \$20,000,000	2024 - 2026
Reservoir A Relocation*	497,458	\$11,000,000 - \$20,000,000	2024 - 2026
Soybeans User Facility	8,612	\$36,000,000	2024
Reservoir E Improvement	37,285	\$800,000	2022
System Distribution	49,925	\$2,000,000	2023
	<u>\$ 614,954</u>		

* These projects are part of an agreement with the Metro Flood Diversion Authority, with all costs incurred by the District expected to be fully reimbursed by the Authority.

Accumulated depreciation as of December 31, 2021:

	Depreciation Rates in %	Balance 1/1/21	Accruals	Retirements	Balance 12/31/21
Distribution Plant					
Collecting and impounding reservoirs	2.0	\$ 2,122,939	\$ 167,337	\$ -	\$ 2,290,276
Wells	2.0	414,557	25,873	-	440,430
Electric pumping equipment	5.0	991,403	58,230	-	1,049,633
Water treatment equipment	5.0	1,758,260	221,753	-	1,980,013
Transmission	1.0	6,891,060	574,640	-	7,465,700
Service Leads	1.0	21,169	-	-	21,169
Meters	4.0	705,750	82,099	-	787,849
		<u>12,905,138</u>	<u>1,129,932</u>	<u>-</u>	<u>14,035,070</u>
Totals - distribution mains					
General Plant					
Structures and improvements	2.0	296,282	43,690	-	339,972
Office furniture and equipment	10.0-15.0	265,724	31,265	-	296,989
Transportation equipment	33.3	255,642	49,765	67,729	237,678
Tools, shop and garage equipment	15.0	621,732	34,399	5,750	650,381
Other equipment - reservoir monitors	10.0	1,024,588	159,665	-	1,184,253
		<u>2,463,968</u>	<u>318,784</u>	<u>73,479</u>	<u>2,709,273</u>
Totals - general plant					
		<u>\$ 15,369,106</u>	<u>\$ 1,448,716</u>	<u>\$ 73,479</u>	<u>\$ 16,744,343</u>
Totals - all plant					

During 2007, the District entered into an agreement with Tharaldson Ethanol Plant I, LLC, to design and construct an ethanol plant in the Casselton Township. The project was completed in 2009 at a total cost of \$15,656,652. The project was financed by the District through a note from the North Dakota Public Finance Authority. Upon completion of the construction project, ownership of \$10,423,383 of the plant was transferred to the City of Fargo who is responsible for operation and maintenance of plant. Because the District retains the right to supply treated wastewater and treat the wastewater return flow for 20 years, that amount has been recorded as an intangible asset and is being amortized over the life of the agreement. The District will own, operate, and maintain the remaining \$5,233,269.

The City of Fargo is responsible for the repayment of \$1,703,088 of a note acquired for construction. The remaining balance is the responsibility of Tharaldson Ethanol Plant I, LLC (Tharaldson). As security for Tharaldson's debt service obligations, the District required personal guarantee of Gary Tharaldson for the bonding and required one year's bond payment (Upfront Deposit) to be held by a mutually agreed-upon third party, with a balance of \$797,161 as of December 31, 2021. Until the bonds are retired, Tharaldson will make payment to the District for the bond payment amount, plus an additional 20%, which the District will place in a reserve fund. Interest earned on the reserve fund will be held for Tharaldson's debt service payment schedule. As of December 31, 2021, the reserve fund had a balance of \$2,261,640. During the years ended December 31, 2021 and 2020, the District received \$1,236,408 for these debt payments, and the amounts are included in operating revenues on the statements of revenues, expenses, and changes in net position.

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2021 and 2020

As of December 31, 2020:

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20
Classified Water Plant in Service				
Construction in progress	\$ 3,129,394	\$ 5,270,550	\$ 8,357,297	\$ 42,647
Intangible Plant				
Organization	3,191	-	-	3,191
Franchises and consents	316	-	-	316
	<u>3,507</u>	<u>-</u>	<u>-</u>	<u>3,507</u>
Distribution Plant				
Land and land rights	763,090	-	-	763,090
Collecting and impounding reservoirs	4,174,354	4,181,242	-	8,355,596
Wells	1,293,647	-	-	1,293,647
Electric pumping equipment	1,164,605	-	-	1,164,605
Water treatment equipment	5,440,513	103,316	-	5,543,829
Transmission and distribution mains	41,708,558	4,069,835	-	45,778,393
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Service leads	21,169	-	-	21,169
Meters	1,548,388	168,833	-	1,717,221
	<u>61,347,593</u>	<u>8,523,226</u>	<u>-</u>	<u>69,870,819</u>
General Plant				
Structures and improvements	2,184,489	-	-	2,184,489
Office furniture and equipment	283,645	26,479	21,056	289,068
Transportation equipment	359,400	85,858	55,558	389,700
Tools, shop and garage equipment	576,183	45,549	-	621,732
Other equipment - reservoir monitors	1,559,530	28,138	-	1,587,668
	<u>4,963,247</u>	<u>186,024</u>	<u>76,614</u>	<u>5,072,657</u>
Total water plant	<u>\$ 69,443,741</u>	<u>\$ 13,979,800</u>	<u>\$ 8,433,911</u>	<u>\$ 74,989,630</u>

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2021 and 2020

Accumulated depreciation as of December 31, 2020:

	Depreciation Rates in %	Balance 01/01/20	Accruals	Retirements	Balance 12/31/20
Distribution Plant					
Collecting and impounding reservoirs	2.0	\$ 1,955,827	\$ 167,112	\$ -	\$ 2,122,939
Wells	2.0	388,684	25,873	-	414,557
Electric pumping equipment	5.0	933,173	58,230	-	991,403
Water treatment equipment	5.0	1,536,507	221,753	-	1,758,260
Transmission	1.0	6,328,611	562,449	-	6,891,060
Service Leads	1.0	21,169	-	-	21,169
Meters	4.0	637,061	68,689	-	705,750
Totals - distribution mains		<u>11,801,032</u>	<u>1,104,106</u>	<u>-</u>	<u>12,905,138</u>
General Plant					
Structures and improvements	2.0	252,592	43,690	-	296,282
Office furniture and equipment	10.0-15.0	283,645	3,135	21,056	265,724
Transportation equipment	33.3	272,711	38,489	55,558	255,642
Tools, shop and garage equipment	15.0	586,755	34,977	-	621,732
Other equipment - reservoir monitors	10.0	865,821	158,767	-	1,024,588
Totals - general plant		<u>2,261,524</u>	<u>279,058</u>	<u>76,614</u>	<u>2,463,968</u>
Totals - all plant		<u>\$ 14,062,556</u>	<u>\$ 1,383,164</u>	<u>\$ 76,614</u>	<u>\$ 15,369,106</u>

Note 6 - Long-Term Debt

Long term debt consists of:

	Balance January 1, 2021	Additions	Payments	Balance December 31, 2021	Due within One Year
Revenue Bonds of 2004	\$ 545,000	\$ -	\$ 100,000	\$ 445,000	\$ 105,000
Improvement Bonds of 2006	36,000	-	24,000	12,000	6,000
Radcliffe Revocable Trust	43,655	-	10,109	33,546	10,627
Revenue Bonds of 2007	7,945,651	-	875,000	7,070,651	910,000
NDPFA SRF 2008	660,001	-	65,000	595,001	70,000
Bremer Bond Issue	772,192	-	42,943	729,249	43,541
Improvement Bonds of 2009	90,000	-	20,000	70,000	20,000
Tharaldson Ethanol Escrow	798,952	-	1,773	797,179	-
Starion Bond Series A	435,000	-	70,000	365,000	65,000
Starion Bond Series B	460,000	-	55,000	405,000	55,000
Starion Bond Series 2014	930,000	-	930,000	-	-
Refunding Improvement Bonds 2015	150,000	-	50,000	100,000	50,000
Refunding Revenue Bonds of 2015	1,165,000	-	105,000	1,060,000	105,000
NDPFA SRF 2014	2,455,000	-	150,000	2,305,000	155,000
Improvement Bonds of 2015	1,600,000	-	1,600,000	-	-
Improvement Bonds of 2016	3,215,000	-	265,000	2,950,000	270,000
Improvement Bonds of 2017	1,255,000	-	90,000	1,165,000	90,000
NDPFA SRF 2018	830,000	-	40,000	790,000	40,000
Improvement Bonds of 2018	950,000	-	60,000	890,000	60,000
NDPFA SRF 2019	2,214,248	-	99,248	2,115,000	100,000
Improvement Bonds of 2019	700,000	-	40,000	660,000	40,000
Improvement Bonds of 2020	3,590,000	-	245,000	3,345,000	215,000
Refunding Improvement Bonds 2021	-	2,330,000	-	2,330,000	275,000
Refunding Improvement Bonds 2021	-	800,000	-	800,000	55,000
	<u>\$ 30,840,699</u>	<u>\$ 3,130,000</u>	<u>\$ 4,938,073</u>	<u>\$ 29,032,626</u>	<u>\$ 2,740,168</u>

	Balance January 1, 2020	Additions	Payments	Balance December 31, 2020	Due within One Year
Revenue Bonds of 2004	\$ 645,000	\$ -	\$ 100,000	\$ 545,000	\$ 100,000
Improvement Bonds of 2006	60,000	-	24,000	36,000	24,000
Radcliffe Revocable Trust	53,269	-	9,614	43,655	10,108
Revenue Bonds of 2007	8,795,651	-	850,000	7,945,651	875,000
NDPFA SRF 2008	725,000	-	64,999	660,001	65,000
Bremer Bond Issue	812,493	-	40,301	772,192	42,535
Improvement Bonds of 2009	110,000	-	20,000	90,000	20,000
Tharaldson Ethanol Escrow	798,748	204	-	798,952	-
Starion Bond Series A	510,000	-	75,000	435,000	70,000
Starion Bond Series B	515,000	-	55,000	460,000	55,000
Starion Bond Series 2014	1,030,000	-	100,000	930,000	100,000
Refunding Improvement Bonds 2015	200,000	-	50,000	150,000	50,000
Refunding Revenue Bonds of 2015	1,270,000	-	105,000	1,165,000	105,000
NDPFA SRF 2014	2,600,000	-	145,000	2,455,000	150,000
Improvement Bonds of 2015	1,740,000	-	140,000	1,600,000	150,000
Improvement Bonds of 2016	3,475,000	-	260,000	3,215,000	265,000
Improvement Bonds of 2017	1,345,000	-	90,000	1,255,000	90,000
NDPFA SRF 2018	785,819	85,000	40,819	830,000	40,000
Improvement Bonds of 2018	1,010,000	-	60,000	950,000	60,000
NDPFA SRF 2019	1,579,361	739,887	105,000	2,214,248	99,248
Improvement Bonds of 2019	745,000	-	45,000	700,000	40,000
Improvement Bonds of 2020	-	3,590,000	-	3,590,000	245,000
	<u>\$ 28,805,341</u>	<u>\$ 4,415,091</u>	<u>\$ 2,379,733</u>	<u>\$ 30,840,699</u>	<u>\$ 2,655,891</u>

Maturity dates and interest rates are as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>
Revenue Bonds of 2004	2029	2.50%
Improvement Bonds of 2006	2023	5.20%
Radcliffe Revocable Trust	2024	5.02%
Revenue Bonds of 2007	2028	3.50%
NDPFA SRF 2008	2029	4.25%
Bremer Bond Issue	2034	6.25%
Improvement Bonds of 2009	2024	2.6 - 4.5%
Tharaldson Ethanol Escrow	2028	-
Starion Bond Series A	2027	0.60 - 2.65%
Starion Bond Series B	2028	0.80 - 4.00%
Refunding Improvement Bonds 2015	2023	1.40 - 2.10%
Refunding Revenue Bonds of 2015	2030	0.90-3.00%
NDPFA SRF 2014	2034	2.00%
Improvement Bonds of 2016	2031	1.10 - 3.25%
Improvement Bonds of 2017	2032	1.75 - 3.65%
NDPFA SRF 2018	2038	1.50%
Improvement Bonds of 2018	2033	2.25 - 3.70%
NDPFA SRF 2019	2039	1.50%
Improvement Bonds of 2019	2034	1.60 - 2.30%
Improvement Bonds of 2020	2035	0.40 - 2.00%
Refunding Improvement Bonds 2021	2030	0.25 - 1.40%
Refunding Improvement Bonds 2021	2036	0.95 - 1.70%

All assets are pledged as security for these debts. The Bank of North Dakota and Radcliffe Revocable Trust notes require annual payments of principal and interest and the North Dakota Public Finance Authority notes require annual payments of principal and semi-annual payments of interest.

During 2020, the District issued \$3,590,000 of Improvement Bonds of 2020. The agreement requires annual payments of principal and semi-annual payments of interest, at an interest rate of 0.40% to 2.00%. Payments commence in May 2021 through May 2035.

During 2021, the District issued \$2,330,000 in Refunding Improvement Bonds of 2021. The agreement requires annual payments of principal and semi-annual payments of interest, at an interest rate of 0.25% to 1.40%. Payments commence May 2022 through May 2030. The proceeds were used for a current refunding of the Improvement Bonds of 2014 and the Improvement Bonds of 2015. The refunded bonds reduced the debt service payment by \$190,773 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$185,467.

During 2021, the District issued \$800,000 in Refunding Improvement Bonds of 2021, Series B. The agreement requires annual payments of principal and semi-annual payments of interest, at an interest rate of 0.95% to 1.70%. Payments commence May 2022 through May 2036. The proceeds were used for making public improvements to provide municipal water to residential users.

Minimum principal and interest payments required are estimated as follows:

Years Ending December 31,	Long-term Debt	
	Principal	Interest
2022	\$ 2,740,168	\$ 682,495
2023	2,782,569	619,877
2024	2,804,076	549,576
2025	2,844,346	476,273
2026	2,786,448	400,419
2027 - 2031	11,101,648	982,032
2032 - 2036	3,465,144	188,379
2037 - 2039	508,209	14,400
	\$ 29,032,608	\$ 3,913,451

Note 7 - Lease Agreement

The District entered into a lease agreement with the City of Casselton to permit the District to utilize a portion of the storage capacity in the City of Casselton water tower. Under the agreement, the District is liable for 18% of the total shared cost which equates to the District's portion of storage capacity. The agreement will remain in effect for an initial term of 25 years and shall be automatically extended for successive terms of 5 years each unless either entity provides a minimum of 2 years advance written notice of intent to discontinue agreement. In the event the City of Casselton chooses to discontinue this agreement or any extension thereof, the City of Casselton shall remit to the District the initial project cost assumed by the District less accumulated depreciation which shall be calculated using the straight-line method with a useful life of 80 years.

Future minimum lease payments are as follows:

Years Ending December 31,	
2022	\$ 17,838
2023	17,964
2024	17,897
	\$ 53,699

The operation and maintenance cost for the water tower shall be the responsibility of the City of Casselton, except that the District shall be liable to the City of Casselton for a portion of said costs of operating and maintenance, as determined on a monthly gallon usage basis attributable to the District. The initial charge to cover these costs shall be \$.20 per 1,000 gallons. The District is expensing these costs as purchased water. Expense for the year ended December 31, 2021 and 2020 was \$41,577 and \$60,083, respectively.

Note 8 - Major Customer

The District derived 10 percent or more of its revenue from the following customer during the years ended December 31, 2021 and 2020:

	2021	2020
Customer A	\$ 2,552,602	\$ 2,610,932

As of December 31, 2021 and 2020, the District had accounts receivable due from this customer of \$203,842 and \$205,011, respectively.

Note 9 - Retirement Plan

Effective April 1, 2018, the District adopted a 457(b) salary deferral plan for full-time employees. Employee contributions are allowed to the limit allowed by IRS regulations and a match contribution is made by the District to a maximum of 7%. Employees are fully vested after 3 years. The amount of contributions paid by the District for the years ended December 31, 2021 and 2020, was \$59,407 and \$57,779, respectively.

Note 10 - Commitments and Agreements

Wholesale Water

Under its wholesale water agreement, the District is committed to purchase water from the City of Fargo. The District must purchase at least 500,000 gallons of treated water per month at \$3.25 per thousand gallons of treated water. This agreement has expired as of December 31, 2011 and another agreement has not been completed as of December 31, 2021. Both parties are operating under the terms of the expired agreement until a new agreement is signed, as no significant changes are expected.

Franchise Fee Agreement

The District entered into an agreement with the City of West Fargo on June 2005 in which the City of West Fargo purchased the rights and acquired a franchise to provide residential water services to the Westport Beach Additions located within the City of West Fargo city limits. In accordance with the agreement, the District agrees to release the Westport Beach Addition from its exclusive jurisdiction to the City of West Fargo as long as the City of West Fargo performs certain obligations, including installation of water meters at its own cost for each individual lot or user within the Westport Beach Addition, and payment of \$1,848 per meter installed to the District until the City of West Fargo has installed a meter for each individual lot within the Westport Beach Addition.

Agreement with the City of Oxbow

The District entered into an agreement with the City of Oxbow to provide billing and collection services for sewer services to the residents of the Bakke Subdivision and the Town of Hickson on a quarterly basis. Specific services to be provided by the District under this agreement included calculation, printing, and mailing of quarterly utility bills, receiving and processing payments from the citizens, account maintenance services such as name changes, adjustments, and address changes, and reasonable and necessary steps to collect amounts due from the citizens. The City of Oxbow agrees to a billing charge for the services provided. The initial cost to the City of Oxbow for the billing charge is \$1.89 per bill.



Other Information
December 31, 2021 and 2020
Cass Rural Water Users District

Cass Rural Water Users District
Schedule of Directors, Officers and Manager (Unaudited)
December 31, 2021

<u>Name</u>	<u>Position</u>
Jon Zuther	Chairman
Jeff Dahl	Vice Chairman
Barry Bowman	Secretary/Treasurer
Toby McPherson	Director
Keith Finger	Director
Todd Ellison	Director
Mark Johnson	Director
Bradley Koetz	Director
Alan Idso	Director
Jerry Blomeke	General Manager

Cass Rural Water Users District
Comparative Schedules of Operations (Unaudited)
Years Ended December 31, 2017 - 2021

	2017		2018		2019		2020		2021	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Operating Revenue	\$ 7,180,833	100.0 %	\$ 7,768,172	100.0 %	\$ 7,704,273	100.0 %	\$ 8,325,611	100.0 %	\$ 9,247,421	100.0 %
Operating Expenses										
Pumping	235,828	3.3	242,910	3.1	239,335	3.1	251,960	3.0	262,739	2.8
Water treatment and testing	128,108	1.8	150,844	1.9	176,361	2.3	181,758	2.2	214,368	2.3
Transmission and distribution	546,231	7.6	611,863	7.9	682,680	8.9	704,517	8.5	634,405	6.9
Administrative and general	1,046,324	14.6	1,100,745	14.2	1,134,151	14.7	1,152,328	13.8	1,293,796	14.0
Purchased water	1,822,720	25.4	2,108,037	27.1	2,088,963	27.1	2,250,620	27.0	2,574,292	27.8
Depreciation and amortization	1,701,573	23.7	1,725,817	22.2	1,747,364	22.7	1,904,333	22.9	1,969,885	21.3
Taxes	68,690	1.0	62,081	0.8	79,413	1.0	87,591	1.1	94,693	1.0
Total operating expenses	5,549,474	77.4	6,002,297	77.2	6,148,267	79.8	6,533,107	78.5	7,044,178	76.1
Operating Income	1,631,359	22.6	1,765,875	22.8	1,556,006	20.2	1,792,504	21.5	2,203,243	23.9
Nonoperating Revenues (Expenses)										
Investment income	38,482	0.5	134,730	1.7	132,173	1.7	117,610	1.4	17,372	0.2
Interest on special assessment	354,737	4.9	538,099	6.9	507,855	6.6	688,673	8.3	685,554	7.4
Special assessments	1,899,749	26.5	1,072,931	13.8	745,000	9.7	3,509,286	42.2	777,664	8.4
Franchise fee payment	36,960	0.5	41,984	0.5	520	0.0	-	-	-	-
Interest expense	(900,704)	(12.5)	(899,578)	(11.6)	(850,693)	(11.0)	(895,254)	(10.8)	(822,983)	(8.9)
Other	523,490	7.3	3,373,658	43.4	1,723,821	22.4	708,083	8.5	829,962	9.0
Total nonoperating revenues (expenses), net	1,952,714	27.2	4,261,824	54.9	2,258,676	29.3	4,128,398	49.6	1,487,569	16.1
Change in Net Position	\$ 3,584,073	49.8 %	\$ 6,027,699	77.7 %	\$ 3,814,682	49.5 %	\$ 5,920,902	71.1 %	\$ 3,690,812	40.0 %



Additional Reports
December 31, 2021 and 2020

Cass Rural Water Users District



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*

The Board of Directors
Cass Rural Water Users District
Kindred, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Cass Rural Water Users District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated March 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
March 18, 2022

**2021-001 Segregation of Duties
Material Weakness**

Criteria – A good system of internal accounting control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of checks (check signers), record keeping and reconciliation functions.

Condition – The District has a lack of segregation of duties due to a limited number of office personnel.

Cause: There is a limited amount of office employees involved in the internal control process.

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 period by employees in the normal course of performing their assigned functions.

Recommendation – The functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the finding.

2021-002 **Material Journal Entries**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District’s existing internal controls, and therefore could have resulted in a material misstatement of the District’s financial statements.

Cause – District personnel do not have adequate training to apply U.S. generally accepted accounting principles internally.

Effect – Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation –It is important that you be aware of this condition. In situations like this, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

Views of Responsible Officials – There is no disagreement with the finding.

2021-003 **Preparation of Financial Statements**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording, processing entries material to the financial statements, and preparation of the financial statements and related notes.

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Cause – District personnel do not have adequate training to apply U.S. generally accepted accounting principles internally.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation –It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the finding.