



Financial Statements
December 31, 2020 and 2019
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 Financial Statements

We have audited the accompanying financial statements of Cass Rural Water Users District as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cass Rural Water Users District as of December 31, 2020 and 2019, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of directors, officers, and manager and comparative schedules of operations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of directors, officers, and manager and the comparative schedule of operations have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2021, 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, 2021

This section of the District's financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 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
- Request for Information

Financial Highlights

- Assets – Increased approximately \$8.0 million due primarily due to completion of the Horace Elevated Tower Project and other capital asset additions.
- Operating Expenses – Increased approximately 6.3% 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 6,700 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

	2020	2019	2018
Assets			
Water Plant	\$ 59,620,524	\$ 55,381,185	\$ 51,353,132
Other property and investments	18,343,345	16,344,002	17,975,197
Current assets	11,697,792	9,958,290	8,998,857
Total assets	89,661,661	81,683,477	78,327,186
Liabilities			
Long-term debt, less current maturities	28,184,808	26,427,453	26,474,522
Current liabilities	3,166,626	2,866,699	3,278,021
Total liabilities	31,351,434	29,294,152	29,752,543
Net Position			
Net investment in capital assets	28,779,825	26,575,844	22,617,895
Restricted for debt service	13,407,039	10,610,695	10,716,707
Unrestricted	16,123,363	15,202,786	15,240,041
Total net position	\$ 58,310,227	\$ 52,389,325	\$ 48,574,643

The total assets of the District increased by 9.8%, from \$82 million to \$90 million. The approximate changes in the total assets is broken down as follows:

Water Plant in service and Construction in Progress	\$ 4,239,000
Current Assets	1,740,000
Other Property and Investments	1,999,000

The increase in Water Plant in service and Construction in Progress was a result of the completion of the Horace Elevated Tower Project 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 increase in other property and investments was a result of the issuance of new special assessments.

The net position of the District increased by approximately \$5.9 million.

Capital Assets and Debt Administration

At the end of 2020, the District had approximately \$59.6 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, 2020, the District had total long term debt including current maturities outstanding of approximately \$30.8 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, 2020 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>2020</u>	<u>2019</u>	<u>2018</u>
Total Revenues	\$ 9,883,462	\$ 10,068,642	\$ 11,856,643
Total Expenses	<u>7,471,846</u>	<u>6,998,960</u>	<u>6,901,875</u>
Income	2,411,616	3,069,682	4,954,768
Capital Contributions			
Special assessment	<u>3,509,286</u>	<u>745,000</u>	<u>1,072,931</u>
Change in Net Position	5,920,902	3,814,682	6,027,699
Net Position, Beginning of Year	<u>52,389,325</u>	<u>48,574,643</u>	<u>42,546,944</u>
Net Position, End of Year	<u>\$ 58,310,227</u>	<u>\$ 52,389,325</u>	<u>\$ 48,574,643</u>

Overall operating revenues increased by 8.1% or approximately \$620,000. Metered sales increased by approximately \$620,000. Overall operating expenses increased by 6.3% or approximately \$380,000. Purchased water expenses increased by 7.7% or approximately \$160,000. The increases in operating revenues and expenses were due to an increase of serviced customers, as well as additional usage. Special assessment capital contributions increased by approximately \$2,800,000 due to more specials assessed during 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.

With the onset of the COVID-19 Pandemic in March 2020, the District had minimal impact to their revenues and expenses. However, the District has maintained strong reserve balances to help with potential gaps in future revenue projections.

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, 2020 and 2019

	2020	2019
Assets		
Water Plant		
In service	\$ 74,946,983	\$ 66,314,347
Construction in progress	42,647	3,129,394
Total water plant	74,989,630	69,443,741
Less accumulated depreciation	15,369,106	14,062,556
Water plant - net	59,620,524	55,381,185
Other Property and Investments		
Intangible assets, net of accumulated amortization	4,690,524	5,211,693
Special assessment receivable, net of current portion	12,404,498	9,821,691
Patronage capital credits from nonassociated companies	243,323	240,618
Investments - long term	1,005,000	1,070,000
Total other property and investments	18,343,345	16,344,002
Current Assets		
Cash and cash equivalents	3,207,917	1,744,249
Cash and cash equivalents - restricted	4,035,028	3,769,946
Investments - short term	2,192,475	2,374,500
Accounts receivable	1,028,775	988,770
Delinquent special assessment receivables	169,887	258,919
Special assessment receivable, current portion	1,002,541	789,004
Prepaid items	25,060	20,545
Interest receivable	36,109	12,357
Total current assets	11,697,792	9,958,290
Total assets	\$ 89,661,661	\$ 81,683,477
Net Position and Liabilities		
Net Position		
Net investment in capital assets	28,779,825	26,575,844
Restricted for debt service	13,407,039	10,610,695
Unrestricted	16,123,363	15,202,786
Total net position	58,310,227	52,389,325
Long - Term Debt,		
Less current maturities	28,184,808	26,427,453
Current Liabilities		
Current maturities of long-term debt	2,655,891	2,377,888
Accounts payable	237,183	242,111
Construction payable	3,558	15,980
Accrued vacation	76,209	57,881
Accrued interest	193,785	172,839
Total current liabilities	3,166,626	2,866,699
Total net position and liabilities	\$ 89,661,661	\$ 81,683,477

See Notes to Financial Statements

Cass Rural Water Users District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Sales to customers	\$ 8,249,874	\$ 7,624,947
Miscellaneous	75,737	79,326
Total operating revenues	8,325,611	7,704,273
Operating Expenses		
Pumping	251,960	239,335
Water treatment and testing	181,758	176,361
Transmission and distribution	704,517	682,680
Administrative and general	1,152,328	1,134,151
Purchased water	2,250,620	2,088,963
Depreciation	1,383,164	1,226,195
Amortization	521,169	521,169
Taxes	87,591	79,413
Total operating expenses	6,533,107	6,148,267
Operating Income	1,792,504	1,556,006
Nonoperating Revenues (Expenses)		
Interest on special assessments	688,673	507,855
Investment income	117,610	132,173
Franchise fee payment	-	520
Grant revenue	317,780	1,528,220
Membership revenue	33,950	30,450
Bond issuance costs	(17,525)	(10,300)
Construction revenues	348,030	231,221
Construction expenses	(25,960)	(80,526)
Miscellaneous revenue	51,808	24,756
Interest expense	(895,254)	(850,693)
Total nonoperating revenues (expenses), net	619,112	1,513,676
Income Before Capital Contributions	2,411,616	3,069,682
Capital Contributions		
Special assessments	3,509,286	745,000
Change in Net Position	5,920,902	3,814,682
Net Position, Beginning of Year	52,389,325	48,574,643
Net Position, End of Year	\$ 58,310,227	\$ 52,389,325

Cass Rural Water Users District
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Operating cash receipts from customers	\$ 8,285,606	\$ 7,896,501
Cash payments to suppliers for goods and services	(3,398,298)	(3,367,699)
Cash payments to employees for services	(1,134,000)	(1,120,736)
Miscellaneous payments	(87,591)	(79,413)
Net Cash from Operating Activities	<u>3,665,717</u>	<u>3,328,653</u>
Investing Activities		
Purchase of investments	-	(521,053)
Sale of investments	244,320	-
Interest received	93,858	156,984
Net Cash from (used for) Investing Activities	<u>338,178</u>	<u>(364,069)</u>
Capital and Related Financing Activities		
Interest payments on debt	(874,308)	(889,401)
Proceeds from long-term borrowings	4,415,091	2,335,056
Proceeds from special assessments	1,542,455	1,344,416
Payment of bond issuance costs	(17,525)	(10,300)
Proceeds from construction revenue, net	322,070	150,695
Change in construction payable	(12,422)	(325,712)
Additions to plant	(5,622,503)	(5,254,248)
Proceeds from grant revenue	317,780	1,528,220
Principal payments on long-term debt	(2,379,733)	(2,264,952)
Net Cash used for Capital and Related Financing Activities	<u>(2,309,095)</u>	<u>(3,386,226)</u>
Noncapital Financing Activities		
Franchise fee payment	-	520
Membership revenue	33,950	30,450
Net Cash from Noncapital Financing Activities	<u>33,950</u>	<u>30,970</u>
Net Change in Cash and Cash Equivalents	1,728,750	(390,672)
Cash and Cash Equivalents, Beginning of Year	<u>5,514,195</u>	<u>5,904,867</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,242,945</u>	<u>\$ 5,514,195</u>
Included in the Statements of Net Position		
Cash and cash equivalents	\$ 3,207,917	\$ 1,744,249
Cash and cash equivalents - restricted	4,035,028	3,769,946
	<u>\$ 7,242,945</u>	<u>\$ 5,514,195</u>

Cass Rural Water Users District
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activity Reconciliation		
Operating income	\$ 1,792,504	\$ 1,556,006
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	1,383,164	1,226,195
Amortization of intangible assets	521,169	521,169
Changes in assets and liabilities		
Accounts receivable	(40,005)	192,228
Prepayments	(4,515)	(2,870)
Accounts payable	(4,928)	(177,490)
Accrued vacation	18,328	13,415
Net Cash from Operating Activities	\$ 3,665,717	\$ 3,328,653
Noncash Investing Activities		
Increase (decrease) in additions to plant due to construction payable	\$ (12,422)	\$ (325,712)
Capital contribution recognized by special assessment	\$ 3,509,286	\$ 745,000

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, 2020 and 2019.

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

Several of the District's loan agreements require restricted deposits set aside for use in capital projects. This is accounted for in the cash and cash equivalents – restricted on the statements of net position.

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

Depreciation is computed on the straight-line method based upon estimated useful lives of the various classes of property. Such provision, as a percentage of the average balance of depreciable property in service, was 1.98% and 1.98% in 2020 and 2019, respectively.

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 2020 and 2019 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, 2020, 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	\$ 3,170,000	\$ 2,165,000	\$ 1,005,000
Government National Mortgage Association	\$ 27,475	\$ 27,475	\$ -

As of December 31, 2019, 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	\$ 3,409,706	\$ 2,339,706	\$ 1,070,000
Government National Mortgage Association	\$ 34,794	\$ 34,794	\$ -

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, 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:

	<u>2020</u>	<u>2019</u>
Carrying Amount		
Deposits in bank	\$ 7,242,945	\$ 5,514,195
Certificates of deposit	3,170,000	3,409,706
Asset backed securities	<u>27,475</u>	<u>34,794</u>
	<u>\$ 10,440,420</u>	<u>\$ 8,958,695</u>
Included in the Statement of Net Positions		
Cash and cash equivalents	\$ 3,207,917	\$ 1,744,249
Cash and cash equivalents - restricted for construction	49,168	4,790
Cash and cash equivalents - restricted for long term debt	3,985,860	3,765,156
Asset backed securities - short term	27,475	34,794
Certificates of deposit - short term	2,165,000	2,339,706
Certificates of deposit - long term	<u>1,005,000</u>	<u>1,070,000</u>
	<u>\$ 10,440,420</u>	<u>\$ 8,958,695</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, 2020 and 2019

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%	<u>3,509,286</u>
					<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>

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2020 and 2019

The following is a summary of special assessments receivable at December 31, 2019:

<u>Improvement District</u>	<u>Initial Year</u>	<u>Final Year</u>	<u>Annual Payment</u>	<u>Interest Rate</u>	<u>Remaining Balance</u>
Silverleaf and Custer Crossing	2007	2022	\$6,000 - \$24,000	5.20%	\$ 49,910
Maple Valley and Prairie Grove	2009	2023	\$30,000 - \$55,000	4.25 - 5.00%	186,992
Maple Valley and Prairie Grove Phase 2	2010	2024	\$21,000 - \$27,000	2.60 - 4.50%	104,748
Deer Creek, Silverleaf, Maple Valley, MGB, Beach Lane, and 73rd Ave	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	454,517
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	547,491
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	1,090,936
Crofton Cove, Deer Creek 4th, Golden Valley, and Crofton 2nd	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	1,747,863
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%	3,222,023
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%	1,695,083
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	1,025,051
Rocking Horse 5th, Grayland First Phase, and Bison Meadows Phase 2	2020	2034	\$40,000 - \$55,000	1.60 - 2.30%	745,000
					<u>\$ 10,869,614</u>
Included in the following statement of net position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 258,919
Special assessment receivable, current portion					789,004
Other Property and Investments					
Special assessment receivable, net of current portion					<u>9,821,691</u>
					<u>\$ 10,869,614</u>

Note 5 - Water Plant and Depreciation

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
	3,507	-	-	3,507
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
	61,347,593	8,523,226	-	69,870,819
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
	4,963,247	186,024	76,614	5,072,657
Total water plant	\$ 69,443,741	\$ 13,979,800	\$ 8,433,911	\$ 74,989,630

Construction in progress as of December 31, 2020, consists of the Interstate 29 crossing and relocation of reservoir A. Costs incurred to date total \$21,659 and \$20,988, respectively. The Interstate 29 crossing is expected to be completed in 2021, with a total expected cost of approximately \$200,000. The reservoir A relocation project is expected to take three to five years to complete, with a total expected cost between \$11,000,000 and \$20,000,000.

Accumulated depreciation as of December 31, 2020:

	Depreciation Rates in %	Balance 1/1/20	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
Meters	4.0	637,061	68,689	-	705,750
Service Leads	1.0	21,169	-	-	21,169
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
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>

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 the next 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 \$798,937 as of December 31, 2020. 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, 2020, the reserve fund had a balance of \$2,087,558. During the years ended December 31, 2020 and 2019, 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, 2020 and 2019

As of December 31, 2019:

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
Classified Water Plant in Service				
Construction in progress	\$ 5,143,333	\$ 5,083,559	\$ 7,097,498	\$ 3,129,394
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	4,024,354	150,000	-	4,174,354
Wells	1,293,647	-	-	1,293,647
Electric pumping equipment	874,943	289,662	-	1,164,605
Water treatment equipment	5,440,513	-	-	5,440,513
Transmission and distribution mains	35,099,133	6,621,873	12,448	41,708,558
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Service leads	21,169	-	-	21,169
Meters	1,604,827	99,220	155,659	1,548,388
	<u>54,354,945</u>	<u>7,160,755</u>	<u>168,107</u>	<u>61,347,593</u>
General plant				
Structures and improvements	2,184,489	-	-	2,184,489
Office furniture and equipment	277,219	9,713	3,287	283,645
Transportation equipment	349,166	43,182	32,948	359,400
Tools, shop and garage equipment	563,509	12,674	-	576,183
Other equipment - reservoir monitors	1,517,667	41,863	-	1,559,530
	<u>4,892,050</u>	<u>107,432</u>	<u>36,235</u>	<u>4,963,247</u>
Total water plant	<u>\$ 64,393,835</u>	<u>\$ 12,351,746</u>	<u>\$ 7,301,840</u>	<u>\$ 69,443,741</u>

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2020 and 2019

Accumulated depreciation as of December 31, 2019:

	Depreciation Rates in %	Balance 01/01/19	Accruals	Retirements	Balance 12/31/19
Distribution Plant					
Collecting and impounding reservoirs	2.0	\$ 1,872,340	\$ 83,487	\$ -	\$ 1,955,827
Wells	2.0	362,811	25,873	-	388,684
Electric pumping equipment	5.0	874,943	58,230	-	933,173
Water treatment equipment	5.0	1,318,886	217,621	-	1,536,507
Transmission	1.0	5,819,308	521,751	12,448	6,328,611
Meters	4.0	730,784	61,936	155,659	637,061
Service Leads	1.0	21,169	-	-	21,169
Totals - distribution mains		<u>11,000,241</u>	<u>968,898</u>	<u>168,107</u>	<u>11,801,032</u>
General Plant					
Structures and improvements	2.0	208,902	43,690	-	252,592
Office furniture and equipment	10.0-15.0	285,290	1,642	3,287	283,645
Transportation equipment	33.3	249,647	56,012	32,948	272,711
Tools, shop and garage equipment	15.0	586,755	-	-	586,755
Reservoir monitors	10.0	709,868	155,953	-	865,821
Totals - general plant		<u>2,040,462</u>	<u>257,297</u>	<u>36,235</u>	<u>2,261,524</u>
Totals - all plant		<u>\$ 13,040,703</u>	<u>\$ 1,226,195</u>	<u>\$ 204,342</u>	<u>\$ 14,062,556</u>

Note 6 - Long-Term Debt

Long term debt consists of:

	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>
	Balance January 1, 2019	Additions	Payments	Balance December 31, 2019	Due within One Year
Bank of North Dakota	\$ 46,124	\$ -	\$ 46,124	\$ -	\$ -
Revenue Bonds of 2004	740,000	-	95,000	645,000	100,000
Improvement Bonds of 2006	83,000	-	23,000	60,000	24,000
Radcliffe Revocable Trust	62,415	-	9,146	53,269	9,615
Revenue Bonds of 2007	9,615,651	-	820,000	8,795,651	850,000
NDPFA SRF 2008	785,000	-	60,000	725,000	65,000
Bremer Bond Issue	850,075	-	37,582	812,493	39,273
Improvement Bonds of 2009	130,000	-	20,000	110,000	20,000
Refunding Bonds of 2010	60,000	-	60,000	-	-
Tharaldson Ethanol Escrow	788,053	10,695	-	798,748	-
Starion Bond Series A	585,000	-	75,000	510,000	75,000
Starion Bond Series B	570,000	-	55,000	515,000	55,000
Starion Bond Series 2014	1,125,000	-	95,000	1,030,000	100,000
Refunding Improvement Bonds 2015	250,000	-	50,000	200,000	50,000
Refunding Revenue Bonds of 2015	1,370,000	-	100,000	1,270,000	105,000
NDPFA SRF 2014	2,740,000	-	140,000	2,600,000	145,000
Improvement Bonds of 2015	1,880,000	-	140,000	1,740,000	140,000
Improvement Bonds of 2016	3,730,000	-	255,000	3,475,000	260,000
Improvement Bonds of 2017	1,430,000	-	85,000	1,345,000	90,000
NDPFA SRF 2018	824,919	-	39,100	785,819	40,000
Improvement Bonds of 2018	1,070,000	-	60,000	1,010,000	60,000
NDPFA SRF 2019	-	1,579,361	-	1,579,361	105,000
Improvement Bonds of 2019	-	745,000	-	745,000	45,000
	<u>\$ 28,735,237</u>	<u>\$ 2,335,056</u>	<u>\$ 2,264,952</u>	<u>\$ 28,805,341</u>	<u>\$ 2,377,888</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%
Starion Bond Series 2014	2029	0.80 - 3.10%
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 2015	2030	0.80 - 3.50%
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%

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 2019, the District entered into a loan agreement of \$2,600,000 with the North Dakota Public Finance Authority Drinking Water State Revolving Fund. As of December 31, 2020, \$2,319,248 has been borrowed on this note and is now fully executed. The agreement requires annual payments of principal and semi-annual payments of interest at an interest rate of 1.50%. Payments commence in September 2020 through September 2039.

During 2019, the District issued \$745,000 of Improvement Bonds of 2019. The agreement requires annual payments of principal and semi-annual payments of interest, at an interest rate of 1.50% to 2.30%. Payments commence in May 2020 through May 2034.

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.

Minimum principal and interest payments required are estimated as follows:

Years Ending December 31,	Long-term Debt	
	Principal	Interest
2021	\$ 2,655,891	\$ 756,696
2022	2,661,010	720,580
2023	2,713,484	651,272
2024	2,740,070	576,014
2025	2,785,422	497,687
2026 - 2030	12,341,523	1,311,848
2031 - 2035	4,253,284	256,549
2036 - 2038	690,015	24,750
	\$ 30,840,699	\$ 4,795,396

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,	
2021	\$ 17,883
2022	17,838
2023	17,964
2024	17,897
	\$ 71,582

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, 2020 and 2019 was \$60,083 and \$103,552, 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, 2020 and 2019:

	2020	2019
Customer A	\$ 2,610,932	\$ 2,567,792

As of December 31, 2020 and 2019, the District had accounts receivable due from this customer of \$205,011 and \$205,782, 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, 2020 and 2019, was \$57,779 and \$51,974, 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, 2020. 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 shall be \$1.89 per bill.



Supplementary Information
December 31, 2020 and 2019

Cass Rural Water Users District

Cass Rural Water Users District
Schedule of Directors, Officers and Manager (Unaudited)
December 31, 2020

<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
Jerry Blomeke	General Manager

Cass Rural Water Users District
Comparative Schedules of Operations (Unaudited)
Years Ended December 31, 2016 - 2020

	2016		2017		2018		2019		2020	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Operating Revenue	\$ 6,280,600	100.0 %	\$ 7,180,833	100.0 %	\$ 7,768,172	100.0 %	\$ 7,704,273	100.0 %	\$ 8,325,611	100.0 %
Operating Expenses										
Pumping	213,624	3.4	235,828	3.3	242,910	3.1	239,335	3.1	251,960	3.0
Water treatment and testing	122,039	1.9	128,108	1.8	150,844	1.9	176,361	2.3	181,758	2.2
Transmission and distribution	553,593	8.8	546,231	7.6	611,863	7.9	682,680	8.9	704,517	8.5
Administrative and general	998,350	15.9	1,046,324	14.6	1,100,745	14.2	1,134,151	14.7	1,152,328	13.8
Purchased water	1,733,236	27.6	1,822,720	25.4	2,108,037	27.1	2,088,963	27.1	2,250,620	27.0
Depreciation and amortization	1,305,876	20.8	1,701,573	23.7	1,725,817	22.2	1,747,364	22.7	1,904,333	22.9
Taxes	65,081	1.0	68,690	1.0	62,081	0.8	79,413	1.0	87,591	1.1
Total operating expenses	4,991,799	79.4	5,549,474	77.4	6,002,297	77.2	6,148,267	79.8	6,533,107	78.5
Operating Income	1,288,801	20.6	1,631,359	22.6	1,765,875	22.8	1,556,006	20.2	1,792,504	21.5
Nonoperating Revenues (Expenses)										
Investment income	26,452	0.4	38,482	0.5	134,730	1.7	132,173	1.7	117,610	1.4
Interest on special assessment	180,024	2.9	354,737	4.9	538,099	6.9	507,855	6.6	688,673	8.3
Special assessments	3,814,683	60.7	1,899,749	26.5	1,072,931	13.8	745,000	9.7	3,509,286	42.2
Franchise fee payment	55,440	0.9	36,960	0.5	41,984	0.5	520	0.0	-	-
Interest expense	(798,434)	(12.7)	(900,704)	(12.5)	(899,578)	(11.6)	(850,693)	(11.0)	(895,254)	(10.8)
Other	3,443,741	54.8	523,490	7.3	3,373,658	43.4	1,723,821	22.4	708,083	8.5
Total nonoperating revenues (expenses), net	6,721,906	107.0	1,952,714	27.2	4,261,824	54.9	2,258,676	29.3	4,128,398	49.6
Change in Net Position	\$ 8,010,707	127.6 %	\$ 3,584,073	49.8 %	\$ 6,027,699	77.7 %	\$ 3,814,682	49.5 %	\$ 5,920,902	71.1 %



Additional Reports
December 31, 2020 and 2019

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, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, 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, 2021.

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 2020-001, 2020-002, and 2020-003, that we consider to be material weaknesses.

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.



Fargo, North Dakota
March 18, 2021

Section I – Financial Statement Findings

**2020-001 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.

2020-002 **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.

2020-003 **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.