



Financial Statements
December 31, 2019 and 2018
Cass Rural Water Users District

Independent Auditor’s Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Other Supplementary Information	
Schedule of Federal Awards and Expenditures	27
Schedule of Directors, Officers and Manager (Unaudited).....	28
Comparative Schedules of Operations(Unaudited)	29
Additional Reports	
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 <i>Government Auditing Standards</i>	30
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	32
Schedule of Audit Findings and Questioned Costs	34



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, 2019 and 2018, 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, 2019 and 2018, 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 17, 2020, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Fargo, North Dakota

March 17, 2020

This section of the District's financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 2019. 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 \$3.4 million due primarily due to completion of the Leonard Area Expansion Project and other capital asset additions.
- Operating expenses – Increased approximately 2.4% 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 6,200 rural residences and 14 communities in Cass County and parts of Trail, Barnes, Ransom and Richland counties serving a total estimated population of 19,500 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

	2019	2018	2017
Assets			
Water Plant	\$ 55,381,185	\$ 51,353,132	\$ 45,752,821
Other property and investments	16,344,002	17,975,197	18,527,981
Current assets	9,958,290	8,998,857	7,623,393
Total assets	81,683,477	78,327,186	71,904,195
Liabilities			
Long-term debt, less current maturities	26,427,453	26,474,522	26,836,830
Current liabilities	2,866,699	3,278,021	2,520,421
Total liabilities	29,294,152	29,752,543	29,357,251
Net Position			
Net investment in capital assets	26,575,844	22,617,895	16,787,550
Restricted for debt service	10,610,695	10,716,707	10,482,388
Unrestricted	15,202,786	15,240,041	15,277,006
Total net position	\$ 52,389,325	\$ 48,574,643	\$ 42,546,944

The total assets of the District increased by 4.3%, from \$78 million to \$82 million. The approximate changes in the total assets is broken down as follows:

Water Plant in service and Construction in Progress	\$ 4,028,000
Current Assets	959,000
Other Property and Investments	(1,631,000)

Water Plant in service and Construction in Progress increase was a result of completion of Leonard Area Expansion Project, Horace Area project occurring in 2019, as well as the purchase of general equipment.

Current assets increase was a result of an increase of short term investments.

Other property and investments decreased due to the amount of long term CD's decreasing.

The net position of the District increased by approximately \$3.8 million.

Capital Assets and Debt Administration

At the end of 2019, the District had approximately \$55.4 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 later in this document in Note 5 of the financial statements.

As of December 31, 2019, the District had total long term debt including current maturities outstanding of approximately \$28.8 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, 2019 the District had funds on hand to make all debt payments through the year 2020. 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>2019</u>	<u>2018</u>	<u>2017</u>
Total Revenues	\$ 10,159,468	\$ 11,856,643	\$ 8,134,502
Total Expenses	<u>7,089,786</u>	<u>6,901,875</u>	<u>6,450,178</u>
Income	3,069,682	4,954,768	1,684,324
Capital Contributions Special assessment	<u>745,000</u>	<u>1,072,931</u>	<u>1,899,749</u>
Change in Net Position	3,814,682	6,027,699	3,584,073
Net Position, Beginning of Year	<u>48,574,643</u>	<u>42,546,944</u>	<u>38,962,871</u>
Net Position, End of Year	<u><u>\$ 52,389,325</u></u>	<u><u>\$ 48,574,643</u></u>	<u><u>\$ 42,546,944</u></u>

Overall operating revenues decreased by 14.3% or approximately \$1,700,000. Metered sales decreased by approximately \$69,000 due to decreased usage. Overall operating expenses increased by 2.43% or approximately \$146,000. Purchased water expenses decreased by approximately \$19,000 due to decreased water demand. Special assessment capital contributions decreased by approximately \$328,000 due to less specials assessed during 2019.

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 Manger, Cass Rural Water District, P.O. Box 98, Kindred, North Dakota 58051.

Cass Rural Water Users District
 Statements of Net Position
 December 31, 2019 and 2018

	2019	2018
Assets		
Water Plant		
In service	\$ 66,314,347	\$ 59,250,502
Construction in progress	3,129,394	5,143,333
Total water plant	69,443,741	64,393,835
Less accumulated depreciation	14,062,556	13,040,703
Water plant - net	55,381,185	51,353,132
Other Property and Investments		
Intangible assets, net of accumulated amortization	5,211,693	5,732,862
Special assessment receivable, net of current portion	9,821,691	9,925,406
Patronage capital credits from nonassociated companies	240,618	237,929
Investments - long term	1,070,000	2,079,000
Total other property and investments	16,344,002	17,975,197
Current Assets		
Cash and cash equivalents	3,189,025	3,326,409
Cash and cash equivalents - restricted	2,325,170	2,578,458
Investments - short term	2,374,500	847,136
Accounts receivable	988,770	1,180,998
Delinquent special assessment receivables	258,919	219,712
Special assessment receivable, current portion	789,004	791,301
Prepaid items	20,545	17,675
Interest receivable	12,357	37,168
Total current assets	9,958,290	8,998,857
Total assets	\$ 81,683,477	\$ 78,327,186
Net Position and Liabilities		
Net Position		
Net investment in capital assets	26,575,844	22,617,895
Restricted for debt service	10,610,695	10,716,707
Unrestricted	15,202,786	15,240,041
Total net position	52,389,325	48,574,643
Long - Term Debt,		
Less current maturities	26,427,453	26,474,522
Current Liabilities		
Current maturities of long-term debt	2,377,888	2,260,715
Accounts payable	242,111	419,601
Construction payable	15,980	341,692
Accrued vacation	57,881	44,466
Accrued interest	172,839	211,547
Total current liabilities	2,866,699	3,278,021
Total net position and liabilities	\$ 81,683,477	\$ 78,327,186

Cass Rural Water Users District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Sales to customers	\$ 7,624,947	\$ 7,693,760
Miscellaneous	79,326	74,412
Total operating revenues	<u>7,704,273</u>	<u>7,768,172</u>
Operating Expenses		
Pumping	239,335	242,910
Water treatment and testing	176,361	150,844
Transmission and distribution	682,680	611,863
Administrative and general	1,134,151	1,100,745
Purchased water	2,088,963	2,108,037
Depreciation	1,226,195	1,204,648
Amortization	521,169	521,169
Taxes	79,413	62,081
Total operating expenses	<u>6,148,267</u>	<u>6,002,297</u>
Operating Income	1,556,006	1,765,875
Nonoperating Revenues (Expenses)		
Interest on special assessments	507,855	538,099
Investment income	132,173	134,730
Franchise fee payment	520	41,984
Grant revenue	1,528,220	3,070,501
Membership revenue	30,450	65,300
Bond issuance costs	(10,300)	(16,950)
Construction revenues	231,221	183,847
Construction expenses	(80,526)	(17,201)
Miscellaneous revenue	24,756	88,161
Interest expense	(850,693)	(899,578)
Total nonoperating revenues (expenses), net	<u>1,513,676</u>	<u>3,188,893</u>
Income Before Capital Contributions	3,069,682	4,954,768
Capital Contributions		
Special assessments	<u>745,000</u>	<u>1,072,931</u>
Change in Net Position	3,814,682	6,027,699
Net Position, Beginning of Year	<u>48,574,643</u>	<u>42,546,944</u>
Net Position, End of Year	<u>\$ 52,389,325</u>	<u>\$ 48,574,643</u>

Cass Rural Water Users District
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Operating cash receipts from customers	\$ 8,641,501	\$ 8,440,502
Cash payments to suppliers for goods and services	(3,367,699)	(2,830,220)
Cash payments to employees for services	(1,120,736)	(1,095,255)
Miscellaneous payments	(79,413)	(62,081)
Net Cash from Operating Activities	4,073,653	4,452,946
Investing Activities		
Purchase of investments	(518,364)	-
Sale of investments	-	858,387
Interest received	156,984	104,063
Net Cash from (used for) Investing Activities	(361,380)	962,450
Capital and Related Financing Activities		
Interest payments on debt	(889,401)	(905,294)
Proceeds from long-term borrowings	2,335,056	1,904,157
Net additions to special assessments	599,416	315,690
Payment of bond issuance costs	(10,300)	(16,950)
Proceeds from construction revenue, net	150,695	166,646
Change in construction payable	(325,712)	341,692
Additions to plant	(5,256,937)	(6,807,216)
Proceeds from grant revenue	1,528,220	3,070,501
Principal payments on long-term debt	(2,264,952)	(2,134,191)
Net Cash used for Capital and Related Financing Activities	(4,133,915)	(4,064,965)
Noncapital Financing Activities		
Franchise fee payment	520	41,984
Membership revenue	30,450	65,300
Net Cash from Noncapital Financing Activities	30,970	107,284
Net Change in Cash and Cash Equivalents	(390,672)	1,457,715
Cash and Cash Equivalents, Beginning of Year	5,904,867	4,447,152
Cash and Cash Equivalents, End of Year	\$ 5,514,195	\$ 5,904,867

Cass Rural Water Users District
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activity Reconciliation		
Operating income	\$ 1,556,006	\$ 1,765,875
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	1,226,195	1,204,648
Amortization of intangible assets	521,169	521,169
Changes in assets and liabilities		
Accounts receivable	937,228	672,330
Prepayments	(2,870)	(426)
Accounts payable	(177,490)	283,860
Accrued vacation	13,415	5,490
Net Cash from Operating Activities	\$ 4,073,653	\$ 4,452,946
Noncash Investing Activities		
Increase (decrease) in additions to plant due to construction payable	\$ (325,712)	\$ 341,692
Capital contribution recognized by special assessment	\$ 745,000	\$ 1,072,931

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.

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, there are no component units to be included within Cass Rural Water Users District as a reporting entity.

Basis of Accounting

With respect to proprietary 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."

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. The District did not estimate an allowance for doubtful accounts for the year ended December 31, 2019 and 2018.

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 and the for use in capital projects. This is accounted for in the cash and cash equivalents – restricted on the statements of net position. A reclassification was made for the December 31, 2019 financial statements where special funds are now included in the cash and cash equivalents – restricted. The reclassification had no impact on the District's 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 2.09% in 2019 and 2018.

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 2019 and 2018 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.

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

As of December 31, 2018, 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	\$ 2,886,000	\$ 807,000	\$ 2,079,000
Government National Mortgage Association	\$ 40,136	\$ 40,136	\$ -

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, 2019, all deposits were fully insured or collateralized by securities held in the District's name.

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

	<u>2019</u>	<u>2018</u>
Carrying Amount		
Deposits in bank	\$ 5,514,195	\$ 5,935,867
Certificates of deposit	3,409,706	2,855,000
Asset backed securities	34,794	40,136
	<u>\$ 8,958,695</u>	<u>\$ 8,831,003</u>
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 3,189,025	\$ 3,326,409
Cash and cash equivalents - restricted for construction	4,790	281,708
Cash and cash equivalents - restricted for long term debt	2,320,380	2,296,750
Asset backed securities - short term	34,794	40,136
Certificates of deposit - short term	2,339,706	807,000
Certificates of deposit - long term	1,070,000	2,079,000
	<u>\$ 8,958,695</u>	<u>\$ 8,831,003</u>

Note 4 - Long-Term Receivables

Special assessments

The District issues special assessments against properties in order to offer water service into expanded territories. Special assessments are collected by the county and remitted to the District on a monthly basis.

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>

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2019 and 2018

The following is a summary of special assessments receivable at December 31, 2018:

Improvement District	Initial Year	Final Year	Annual Payment	Interest Rate	Remaining Balance
Osgood	2005	2020	\$66,000	5.60%	\$ 62,917
Silverleaf and Custer Crossing	2007	2022	\$6,000 - \$24,000	5.20%	69,941
Maple Valley and Prairie Grove	2009	2023	\$30,000 - \$55,000	4.25 - 5.00%	234,470
Maple Valley and Prairie Grove Phase 2	2010	2024	\$21,000 - \$27,000	2.60 - 4.50%	124,138
Deer Creek, Silverleaf, Maple Valley, MGB, Beach Lane, and 73rd Ave	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	505,168
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	598,551
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	1,176,851
Crofton Cove, Deer Creek 4th, Golden Valley, and Crofton 2nd	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	1,882,432
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%	3,411,282
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%	1,797,738
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	<u>1,072,931</u>
					<u>\$ 10,936,419</u>
Included in the following statement of net position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 219,712
Special assessment receivable, current portion					791,301
Other Property and Investments					
Special assessment receivable, net of current portion					<u>9,925,406</u>
					<u>\$ 10,936,419</u>

Note 5 - Water Plant and Depreciation

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
	3,507	-	-	3,507
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
	54,354,945	7,160,755	168,107	61,347,593
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
	4,892,050	107,432	36,235	4,963,247
Total water plant	\$ 64,393,835	\$ 12,351,746	\$ 7,301,840	\$ 69,443,741

Construction in progress as of December 31, 2019, consists of a 1,000,000 gallon water storage tank. Costs incurred to date total \$3,129,394. The estimated final cost of the project is \$4,446,000 with expected completion in the summer of 2020.

Accumulated depreciation as of December 31, 2019:

	Depreciation Rates in %	Balance 1/1/19	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>

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. 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. During the years ended December 31, 2019 and 2018, the District received \$1,236,408 and \$1,339,442 for these debt payments, respectively, and the amounts are included in operating revenues.

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2019 and 2018

As of December 31, 2018:

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
Classified Water Plant in Service				
Construction in progress	\$ 137,235	\$ 6,522,857	\$ 1,516,759	\$ 5,143,333
Intangible plant				
Organization	3,191	-	-	3,191
Franchises and consents	316	-	-	316
	3,507	-	-	3,507
Distribution plant				
Land and land rights	738,050	25,040	-	763,090
Collecting and impounding reservoirs	3,744,354	280,000	-	4,024,354
Wells	1,293,647	-	-	1,293,647
Electric pumping equipment	874,943	-	-	874,943
Water treatment equipment	5,440,513	-	-	5,440,513
Transmission and distribution mains	33,948,074	1,151,059	-	35,099,133
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Service leads	21,169	-	-	21,169
Meters	1,387,755	217,072	-	1,604,827
	52,681,774	1,673,171	-	54,354,945
General plant				
Structures and improvements	2,173,448	11,041	-	2,184,489
Office furniture and equipment	276,758	2,737	2,276	277,219
Transportation equipment	333,959	43,890	28,683	349,166
Tools, shop and garage equipment	563,509	-	-	563,509
Other equipment - reservoir monitors	1,449,645	68,022	-	1,517,667
	4,797,319	125,690	30,959	4,892,050
Total water plant	\$ 57,619,835	\$ 8,321,718	\$ 1,547,718	\$ 64,393,835

Cass Rural Water Users District
Notes to Financial Statements
December 31, 2019 and 2018

Accumulated depreciation as of December 31, 2018:

	Depreciation Rates in %	Balance 01/01/18	Accruals	Retirements	Balance 12/31/18
Distribution Plant					
Collecting and impounding reservoirs	2.0	\$ 1,791,853	\$ 80,487	\$ -	\$ 1,872,340
Wells	2.0	336,939	25,872	-	362,811
Electric pumping equipment	5.0	874,943	-	-	874,943
Water treatment equipment	5.0	1,101,266	217,620	-	1,318,886
Transmission	1.0	5,363,652	455,656	-	5,819,308
Meters	4.0	666,585	64,199	-	730,784
Service Leads	1.0	21,169	-	-	21,169
Totals - distribution mains		<u>10,156,407</u>	<u>843,834</u>	<u>-</u>	<u>11,000,241</u>
General Plant					
Structures and improvements	2.0	165,212	43,690	-	208,902
Office furniture and equipment	10.0-15.0	261,729	25,837	2,276	285,290
Transportation equipment	33.3	223,336	54,994	28,683	249,647
Tools, shop and garage equipment	15.0	502,229	84,526	-	586,755
Reservoir monitors	10.0	558,101	151,767	-	709,868
Totals - general plant		<u>1,710,607</u>	<u>360,814</u>	<u>30,959</u>	<u>2,040,462</u>
Totals - all plant		<u>\$ 11,867,014</u>	<u>\$ 1,204,648</u>	<u>\$ 30,959</u>	<u>\$ 13,040,703</u>

Note 6 - Long-Term Debt

Long term debt consists of:

	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>
	Balance January 1, 2018	Additions	Payments	Balance December 31, 2018	Due within One Year
Bank of North Dakota	\$ 91,606	\$ -	\$ 45,482	\$ 46,124	\$ 46,124
Revenue Bonds of 2004	835,000	-	95,000	740,000	95,000
Improvement Bonds of 2006	106,000	-	23,000	83,000	23,000
Radcliffe Revocable Trust	71,114	-	8,699	62,415	9,145
Revenue Bonds of 2007	10,405,651	-	790,000	9,615,651	820,000
NDPFA SRF 2008	845,000	-	60,000	785,000	60,000
Bremer Bond Issue	885,132	-	35,057	850,075	33,346
Improvement Bonds of 2009	145,000	-	15,000	130,000	20,000
Refunding Bonds of 2010	125,000	-	65,000	60,000	60,000
Tharaldson Ethanol Escrow	780,768	7,285	-	788,053	-
Starion Bond Series A	660,000	-	75,000	585,000	75,000
Starion Bond Series B	625,000	-	55,000	570,000	55,000
Starion Bond Series 2014	1,220,000	-	95,000	1,125,000	95,000
Refunding Improvement Bonds 2015	300,000	-	50,000	250,000	50,000
Refunding Revenue Bonds of 2015	1,470,000	-	100,000	1,370,000	100,000
NDPFA SRF 2014	2,875,000	-	135,000	2,740,000	140,000
Improvement Bonds of 2015	2,015,000	-	135,000	1,880,000	140,000
Improvement Bonds of 2016	3,980,000	-	250,000	3,730,000	255,000
Improvement Bonds of 2017	1,530,000	-	100,000	1,430,000	85,000
NDPFA SRF 2018	-	824,919	-	824,919	39,100
Improvement Bonds of 2018	-	1,070,000	-	1,070,000	60,000
	<u>\$ 28,965,271</u>	<u>\$ 1,902,204</u>	<u>\$ 2,132,238</u>	<u>\$ 28,735,237</u>	<u>\$ 2,260,715</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	2033	1.50%
Improvement Bonds of 2019	2034	1.60 - 2.30%

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 2018, the District entered into a loan agreement of \$1,700,000 however only \$824,919 was borrowed with the North Dakota Public Finance Authority Drinking Water State Revolving Fund. The agreement requires semi-annual payments, including interest, at an interest rate of 1.50%. Payments commence in September 2018 through September 2038.

During 2018, the District issued \$1,070,000 of Series 2018 Improvement Bonds. The agreement requires semi-annual payments, including interest, at an interest rate of 2.25% to 3.70%. Payments commence in May 2019 through May 2033.

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, 2019, \$1,579,361 has been borrowed on this note, with the remaining amount expected to be borrowed in future years as the project progresses. The agreement requires annual payments of principal and semi-annual payments of interest at an interest rate of 1.50%. Payments commence in September 2019 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.

Minimum principal and interest payments required are estimated as follows:

<u>Years Ending December 31,</u>	<u>Long-term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,377,888	\$ 804,974
2021	2,420,218	743,473
2022	2,454,660	677,560
2023	2,512,219	608,962
2024	2,533,899	537,804
2025 - 2029	12,535,379	1,540,521
2030 - 2034	3,880,260	334,112
2035 - 2038	90,818	5,925
	<u>\$ 28,805,341</u>	<u>\$ 5,253,331</u>

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:

<u>Years Ending December 31,</u>	
2020	\$ 17,919
2021	17,883
2022	17,838
2023	17,964
2024	17,897
	<u>\$ 89,501</u>

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, 2019 and 2018 was \$103,552 and \$102,447, respectively.

Note 8 - 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, 2019 and 2018, was \$51,974 and \$34,868, respectively.

Prior to April 1, 2018, the District contributed to the Simplified Employee Pension Individual Retirement Account, a defined contribution pension plan, for substantially all employees. The plan was administered by the District's Board of Directors. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board. The District was required to contribute 4 percent of the annual salary to individual employee accounts for each participating employee. During 2018, the District contributed 4 percent of the January through March salaries for each participating employee, the months that plan was in effect. The District recognized pension expense of \$-0- and \$7,500 for the years ended December 31, 2019 and 2018, respectively.

Note 9 - 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, 2019. 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, 2019 and 2018

Cass Rural Water Users District

Cass Rural Water Users District
 Schedule of Federal Awards and Expenditures
 December 31, 2019

Federal Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
Environmental Protection Agency Passed through the State of North Dakota - Department of Health - Drinking Water State Revolving Funds Cluster Capitalization Grants for Drinking Water State Revolving Funds	Unknown	66.468	<u>\$ 1,579,361</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended December 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Cass Rural Water Users District
Schedule of Directors, Officers and Manager (Unaudited)
December 31, 2019

<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
Gordon Blixt	Director
Bradley Koetz	Director
Jerry Blomeke	General Manager

Cass Rural Water Users District
Comparative Schedules of Operations (Unaudited)
Years Ended December 31, 2015 - 2019

	2015		2016		2017		2018		2019	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Operating Revenue	\$ 6,101,441	100.0 %	\$ 6,280,600	100.0 %	\$ 7,180,833	100.0 %	\$ 7,768,172	100.0 %	\$ 7,704,273	100.0 %
Operating Expenses										
Pumping	210,280	3.4	213,624	3.4	235,828	3.3	242,910	3.1	239,335	3.1
Water treatment and testing	103,679	1.7	122,039	1.9	128,108	1.8	150,844	1.9	176,361	2.3
Transmission and distribution	562,951	9.2	553,593	8.8	546,231	7.6	611,863	7.9	682,680	8.9
Administrative and general	1,006,293	16.5	998,350	15.9	1,046,324	14.6	1,100,745	14.2	1,134,151	14.7
Purchased water	1,526,034	25.0	1,733,236	27.6	1,822,720	25.4	2,108,037	27.1	2,088,963	27.1
Depreciation and amortization	1,223,363	20.1	1,305,876	20.8	1,701,573	23.7	1,725,817	22.2	1,747,364	22.7
Taxes	58,262	1.0	65,081	1.0	68,690	1.0	62,081	0.8	79,414	1.0
Total operating expenses	4,690,862	76.9	4,991,799	79.4	5,549,474	77.4	6,002,297	77.2	6,148,268	79.8
Operating Income	1,410,579	23.1	1,288,801	20.6	1,631,359	22.6	1,765,875	22.8	1,556,005	20.2
Nonoperating Revenues (Expenses)										
Investment income	58,614	1.0	26,452	0.4	38,482	0.5	134,730	1.7	132,173	1.7
Interest on special assessment	176,401	2.9	180,024	2.9	354,737	4.9	538,099	6.9	507,855	6.6
Special assessments	2,213,623	36.3	3,814,683	60.7	1,899,749	26.5	1,072,931	13.8	745,000	9.7
Franchise fee payment	59,136	1.0	55,440	0.9	36,960	0.5	41,984	0.5	520	0.0
Interest expense	(813,526)	(13.3)	(798,434)	(12.7)	(900,704)	(12.5)	(899,578)	(11.6)	(850,693)	(11.0)
Other	674,941	11.1	3,443,741	54.8	523,490	7.3	3,373,658	43.4	1,723,821	22.4
Total nonoperating revenues (expenses), net	2,369,189	38.8	6,721,906	107.0	1,952,714	27.2	4,261,824	54.9	2,258,676	29.3
Net Income	\$ 3,779,768	61.9 %	\$ 8,010,707	127.6 %	\$ 3,584,073	49.8 %	\$ 6,027,699	77.7 %	\$ 3,814,681	49.5 %



Additional Reports
December 31, 2019 and 2018

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, 2019, 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 17, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 audit findings and questioned costs as items 2019-001, 2019-002, 2019-003, and 2019-004, 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 determination of financial statement amounts. 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 audit findings and questioned costs. 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 17, 2020



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the *Uniform Guidance*

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

Report on Compliance for the Major Federal Program

We have audited Cass Rural Water Users District’s (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District’s major federal program for the year ended December 31, 2019. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Fargo, North Dakota
March 17, 2020

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unmodified
Internal Control over Financial Reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal Control over Major Programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any Audit Findings Disclosed That Are Required to be Reported in accordance with the Uniform Guidance: 2 CFR 200.516	No

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Capitalization Grants for Drinking Water	66.468
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee Qualified as Low-Risk Auditee?	No

Section II – Financial Statement Findings

**2019-001 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 – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, 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.

2019-002 **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 – While we recognize that your office staff is limited, 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.

**2019-003 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 – This circumstance is not unusual in a District of your size. 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.

**2019-004 Preparation of Schedule of Expenditures of Federal Awards
Material Weakness**

Criteria – A good system of internal accounting control contemplates an adequate system to internally prepare the Schedule of Expenditures of Federal Awards.

Condition – The District does not have an internal control system designed to provide for the preparation of the schedule of expenditures of federal awards being audited. As auditors, we were requested to, and did, draft the District’s Schedule of Expenditures of Federal Awards.

Cause – District personnel do not have adequate training to prepare the Schedule of Expenditures of Federal Awards being audited.

Effect – The financial disclosures in the Schedule of Expenditures of Federal Awards could be incomplete.

Recommendation – This circumstance is not unusual in a District of your size. 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.

Section III – Federal Awards Findings and Questioned Costs

None Reported