

Financial Statements  
December 31, 2025 and 2024  
**Cass Rural Water Users District**

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## Independent Auditor's Report

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

### Report on the Audited Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of the Cass Rural Water Users District (the District), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Cass Rural Water Users District as of December 31, 2025 and 2024, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, 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. That report is 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 24, 2026

This section of the District's financial report presents our analysis of the District's financial performance during the fiscal years ended December 31, 2025 and 2024. Please read it in conjunction with the financial statements, which follow this section.

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

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

### **Financial Highlights**

- Assets – Increased approximately \$10.1 million primarily due to completion of construction projects and other capital asset additions.
- Operating Expenses – Increased approximately \$1,840,000 due to increases in transmission and distribution expenses and cost of purchased water, as well as general personnel costs.
- Nonoperating Grant Revenue – Decreased approximately \$2.7 million due to certain construction projects funded with the aid of state grants being completed during the year.

### **Organization and Business**

Cass Rural Water Users District provides water service to approximately 9,200 rural residences and 16 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**

	2025	2024	2023 (as restated)
<b>Assets</b>			
Current assets	\$ 19,618,857	\$ 26,313,376	\$ 23,233,027
Other property and investments	28,701,150	18,753,714	17,636,250
Water Plant	127,275,930	120,470,629	99,105,525
Total assets	175,595,937	165,537,719	139,974,802
<b>Liabilities</b>			
Current liabilities	6,261,787	8,297,426	11,620,185
Long-term liabilities, less current maturities	49,266,895	49,956,121	34,204,063
Total liabilities	55,528,682	58,253,547	45,824,248
<b>Deferred Inflows of Resources</b>			
Lease receivable	13,881	37,489	61,228
<b>Net Position</b>			
Net investment in capital assets	72,917,755	64,596,719	59,280,606
Restricted for debt service	21,877,222	25,158,489	22,269,698
Unrestricted	25,258,397	17,491,475	12,539,022
Total net position	\$ 120,053,374	\$ 107,246,683	\$ 94,089,326

The total assets of the District increased by 6.1%, from \$165.5 million to \$175.6 million. The approximate change in the total assets is broken down as follows:

Water Plant in Service and Construction in Progress	\$ 6,805,000
Current Assets	(6,695,000)
Other Property and Investments	9,947,000

The increase in water plant in service and construction in progress was a result of the additional construction projects and other capital asset additions.

The decrease in current assets was a result of purchasing additional long-term investments.

The increase in other property and investments was the result of the issuance of new special assessments.

The net position of the District increased by approximately \$12.8 million.

**Capital Assets and Debt Administration**

At the end of 2025, the District had approximately \$127.3 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, 2025, the District had total long term debt including current maturities outstanding of approximately \$54.4 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, 2025, the District had funds on hand to make all debt payments through the year 2026. The details of the various debt instruments are presented in more detail in Note 7 of the financial statements.

**Statement of Revenues, Expenses and Change in Net Position Overview**

	2025	2024	2023 (as restated)
Total Revenues	\$ 18,201,680	\$ 19,481,185	\$ 30,297,214
Total Expenses	11,751,236	9,753,828	9,363,138
Income	6,450,444	9,727,357	20,934,076
Capital Contributions			
Special assessment	6,356,247	3,430,000	2,370,000
Change in Net Position	12,806,691	13,157,357	23,304,076
Net Position, Beginning of Year	107,246,683	94,089,326	70,785,250
Net Position, End of Year	\$ 120,053,374	\$ 107,246,683	\$ 94,089,326

Overall operating revenues increased by 11.2% or approximately \$1,560,000. Metered sales increased by approximately \$1,550,000. Overall operating expenses increased by 21.7% or approximately \$1,840,000. The increases in operating revenues and expenses were due to an increase of serviced customers, as well as additional usage. Capital contributions increased by approximately \$2,900,000 due to more special assessment districts added in 2025 compared to 2024.

### **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, West Fargo, and Horace, these 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 the cities to address these territorial issues. The District will continue to foster good working relationships with these cities, as well as making an effort to keep abreast of any legal developments in this area of federal law.
- **Federal Regulation** – Each year the Environmental Protection Agency issues new rules for the regulations of public drinking water systems. With each new regulation comes increased cost and additional record keeping requirements. The District is committed to meeting all applicable drinking water standards while keeping costs as reasonable as possible.

### **Request for Information**

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

Cass Rural Water Users District  
Statements of Net Position  
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,986,805	\$ 4,952,281
Cash and cash equivalents - restricted	4,341,224	8,041,615
Investments - short term	8,762,501	9,440,107
Accounts receivable	1,466,416	2,102,457
Delinquent special assessment receivables	91,212	76,354
Special assessment receivable, current portion	1,809,394	1,484,056
Prepaid items	46,357	39,759
Lease receivable	13,881	37,489
Interest receivable	101,067	139,258
Total current assets	19,618,857	26,313,376
Other Property and Investments		
Intangible assets, net of accumulated amortization	2,084,678	2,605,847
Special assessment receivable, net of current portion	20,067,828	15,632,818
Patronage capital credits from nonassociated companies	278,644	275,049
Investments - long term	6,270,000	240,000
Total other property and investments	28,701,150	18,753,714
Water Plant		
In service	121,886,714	100,281,647
Construction in progress	28,949,373	41,743,716
Total water plant	150,836,087	142,025,363
Less accumulated depreciation	23,560,157	21,554,734
Water plant - net	127,275,930	120,470,629
Total assets	\$ 175,595,937	\$ 165,537,719

Cass Rural Water Users District  
 Statements of Net Position  
 December 31, 2025 and 2024

	2025	2024
Liabilities		
Current Liabilities		
Current maturities of long-term debt	\$ 5,245,661	\$ 6,064,556
Current maturities of compensated absences	27,612	31,479
Accounts payable	414,629	310,296
Construction payable	293,902	1,603,624
Accrued interest	279,983	287,471
Total current liabilities	6,261,787	8,297,426
Long-Term Liabilities		
Long-term debt, less current maturities	49,112,514	49,809,354
Compensated absences, less current maturities	154,381	146,767
Total long-term liabilities	49,266,895	49,956,121
Total liabilities	55,528,682	58,253,547
Deferred Inflows of Resources		
Lease receivable	13,881	37,489
Net Position		
Net investment in capital assets	72,917,755	64,596,719
Restricted for debt service	21,877,222	25,158,489
Unrestricted	25,258,397	17,491,475
Total net position	120,053,374	107,246,683
Total net position, liabilities, and deferred inflows of resources	\$ 175,595,937	\$ 165,537,719

Cass Rural Water Users District  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Sales to customers	\$ 15,416,677	\$ 13,868,896
Miscellaneous	80,689	68,375
Total operating revenues	15,497,366	13,937,271
Operating Expenses		
Pumping	279,388	253,707
Water treatment and testing	250,753	239,895
Transmission and distribution	949,762	1,105,118
Administrative and general	1,751,710	1,652,749
Purchased water	4,383,761	2,898,862
Depreciation	2,088,494	1,697,427
Amortization	527,386	525,627
Taxes	114,848	129,188
Total operating expenses	10,346,102	8,502,573
Operating Income	5,151,264	5,434,698
Nonoperating Revenues (Expenses)		
Interest on special assessments	839,846	648,065
Investment income	642,321	632,339
Grant revenue	260,068	2,954,186
Membership revenue	46,060	74,550
Bond issuance costs	(106,325)	(73,708)
Construction revenues	840,479	1,177,713
Construction expenses	(49,440)	(51,857)
Miscellaneous revenue	75,540	57,061
Interest expense	(1,249,369)	(1,125,690)
Total nonoperating revenues (expenses), net	1,299,180	4,292,659
Income Before Capital Contributions	6,450,444	9,727,357
Capital Contributions		
Special assessments	6,356,247	3,430,000
Change in Net Position	12,806,691	13,157,357
Net Position, Beginning of Year	107,246,683	94,089,326
Net Position, End of Year	\$ 120,053,374	\$ 107,246,683

Cass Rural Water Users District  
Statements of Cash Flows  
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Operating cash receipts from customers	\$ 16,133,407	\$ 14,563,605
Cash payments to suppliers for goods and services	(5,880,777)	(4,669,320)
Cash payments to employees for services	(1,747,963)	(1,665,025)
Net Cash from Operating Activities	8,504,667	8,229,260
Investing Activities		
Purchase of investments	(6,030,000)	(1,596,649)
Sale of investments	677,606	240,000
Interest received	680,512	604,280
Net Cash used for Investing Activities	(4,671,882)	(752,369)
Capital and Related Financing Activities		
Interest payments on debt	(1,256,857)	(1,060,237)
Proceeds from long-term borrowings	8,631,835	21,827,022
Principal payments on long-term debt	(10,147,570)	(5,778,031)
Payment of bond issuance costs	(106,325)	(73,708)
Proceeds from special assessments	2,420,887	1,996,655
Additions to plant	(10,209,734)	(26,701,377)
Proceeds from construction revenue, net	791,039	1,125,856
Proceeds from miscellaneous revenue	75,540	57,061
Proceeds from grant revenue	260,068	2,954,186
Net Cash from (used for) Capital and Related Financing Activities	(9,541,117)	(5,652,573)
Noncapital Financing Activity		
Membership revenue	42,465	74,550
Net Change in Cash and Cash Equivalents	(5,665,867)	1,898,868
Cash and Cash Equivalents, Beginning of Year	12,993,896	11,095,028
Cash and Cash Equivalents, End of Year	\$ 7,328,029	\$ 12,993,896
Cash and cash equivalents	\$ 2,986,805	\$ 4,952,281
Cash and cash equivalents - restricted	4,341,224	8,041,615
	\$ 7,328,029	\$ 12,993,896

Cass Rural Water Users District  
 Statements of Cash Flows  
 Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activity Reconciliation		
Operating income	\$ 5,151,264	\$ 5,434,698
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	2,088,494	1,697,427
Amortization of intangible assets	527,386	525,627
Changes in assets and liabilities		
Accounts receivable	636,041	626,334
Prepayments	(6,598)	(4,070)
Lease receivable	23,608	23,739
Lease related deferred outflow of resources	(23,608)	(23,739)
Accounts payable	104,333	(38,480)
Accrued vacation	3,747	(12,276)
Net Cash from Operating Activities	\$ 8,504,667	\$ 8,229,260
Noncash Financing Activities		
Water plant included within construction payable	\$ 293,902	\$ 1,603,624
Special assessment capital contribution	6,356,247	3,430,000
Total noncash financing activities	\$ 6,650,149	\$ 5,033,624

**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**

**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 District reports as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB). Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. 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, deferred inflows of resources, net position, revenues and expenses are accounted for through a single business-type activity.

### **Cash and Cash Equivalents, and Investments**

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.

Short term investments consist of certificates of deposit with original maturity dates of over three months to twelve months. Long term investments consist of certificates of deposit with original maturity dates of over twelve months.

Investment in asset backed securities are reported at fair value. Fair value is determined based on quoted market prices if available or estimated fair value using quoted market prices for similar securities. Interest, dividends, gains and losses, both realized and unrealized, on investments in debt and equity securities are included in investment income.

### **Cash and Cash Equivalents - Restricted**

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

### **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 years ended December 31, 2025 and 2024.

### **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.

### **Lease Receivables**

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

### **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. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. 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.

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is dependent on each respective lease.

### **Depreciation**

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

### **Recoverability of Long-Lived Assets**

The District reviews the carrying value of water plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2025 and 2024.

### **Intangible Assets and Amortization**

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 2025 and 2024 was \$521,169. Additional amortization expense relating to right-to-use leased assets of \$6,217 in 2025 and \$4,458 in 2024, are included in the Statements of Revenues, Expenses, and Changes in Net Position.

### **Long-Term Liabilities**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on a borrowing rate determined by the District.

### **Compensated Absences**

Employees accrue vacation leave annually at a rate of 5 to 25 days depending on years of service. Unused accrued vacation leave may be carried over at each year-end, up to the maximum of two times the annual vacation amount. Upon termination, vacation benefits that have accrued through the last day of work will be paid.

Sick leave is accrued at a rate of 1 day per month for all employees. A maximum of 66 days of sick leave may be carried over at each year-end. Upon termination, all amounts of unused sick leave will be forfeited.

A liability for vested or accumulated vacation and sick leave is reported in the statement of net position.

### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category related to leases in which the District is the lessor. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

### **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.

### **Business and Credit Risk**

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

### 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.

### Adoption of New Standard

As of January 1, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was no effect of the implementation of this standard on disclosures during the year.

### Note 3 - Deposits and Investments

The District's investments are generally reported at fair value, as discussed in Note 2. At December 31, 2025, the District had the following investments and maturities, 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 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$ 8,670,000</u>	<u>\$ 2,400,000</u>	<u>\$ 6,270,000</u>
Asset backed securities	<u>\$ 9,385</u>	<u>\$ 9,385</u>	<u>\$ -</u>
Treasury Notes	<u>\$ 6,353,116</u>	<u>\$ 6,353,116</u>	<u>\$ -</u>

As of December 31, 2024, the District has the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$ 9,669,000</u>	<u>\$ 9,429,000</u>	<u>\$ 240,000</u>
Asset backed securities	<u>\$ 11,107</u>	<u>\$ 11,107</u>	<u>\$ -</u>

### Interest Rate Risk

Interest rate risk is the risk that exists when fair values are continually changing, and an investment is locked in at a fixed rate. 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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2025 and 2024, the District had investments in asset backed securities of \$9,385 and \$11,107, respectively, which are valued using Level 2 inputs. Additionally, at December 31, 2025, the District had investments in U.S. Treasury Notes of \$6,353,116 valued using Level 2 inputs.

### **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**

Concentration of credit risk is the risk that too many investments are held in any one issuer. 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.

The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank for each account ownership category. For the years ended December 31, 2025 and 2024, the District had approximately \$6,082,000 and \$8,013,000, respectively, in excess of FDIC-insured limits, which were insured or collateralized by securities held in the District's name.

### **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.

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 Corporation (FDIC) 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. As of December 31, 2025 and 2024, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Cass Rural Water Users District

Notes to Financial Statements

December 31, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>
Carrying Amount		
Deposits in bank	\$ 7,328,029	\$ 12,993,896
Certificates of deposit	8,670,000	9,669,000
Treasury notes	6,353,116	-
Asset backed securities	9,385	11,107
	<u>\$ 22,360,530</u>	<u>\$ 22,674,003</u>
Included in the Statements of Net Position		
Cash and cash equivalents	\$ 2,986,805	\$ 4,952,281
Cash and cash equivalents - restricted	4,341,224	8,041,615
Investments - short term	8,762,501	9,440,107
Investments - long term	6,270,000	240,000
	<u>\$ 22,360,530</u>	<u>\$ 22,674,003</u>

**Note 4 - Special Assessment Receivables**

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 territories. Special assessment payments are collected by the county and remitted to the District on a monthly basis.

Cass Rural Water Users District  
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The following is a summary of special assessments receivable at December 31, 2025:

Improvement District	Initial Year	Final Year	Annual Payment	Interest Rate	Remaining Balance
Deer Creek, Silverleaf, Maple Valley, MGB, Beach Lane, and 73rd Ave	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	\$ 121,059
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	204,043
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	485,228
Crofton Cove, Deer Creek 4th, Golden Valley, and Crofton 2nd	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	867,742
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%	1,790,898
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%	1,015,812
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	671,392
Rocking Horse 5th, Grayland First Phase, and Bison Meadows Phase 2	2020	2034	\$40,000 - \$55,000	1.60 - 2.30%	495,490
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%	2,474,652
Golden Valley 4th and Madelyn Meadows 2nd	2022	2036	\$45,000 - \$275,000	0.95 - 1.70%	596,134
Eagle Valley 4th, Eagle Valley 5th, Golden Valley 4th, Golden Valley 5th, Brooktree, Wilds 20th, Madelyn Meadows 2nd	2023	2037	\$100,000 - \$155,000	3.00 - 5.00%	1,502,808
Golden Valley 6th, Lost River 7th, Madelyn Meadows 4th, Meadow View, Radio Dr, Rocking Horse 6th, Southdale Farms 3rd	2024	2038	\$120,000 - \$205,000	5.80%	2,121,994
New Haven, Southdale Farms 4th, Southdale Farms 5th, Maple Lakes 2nd, BN-22-G Revised, BN-22-C Revised	2025	2039	\$110,000 - \$300,000	3.40 - 4.15%	3,266,182
66th St Water Main, Cub Creek 2, Rivers Edge2, Wilds 21st, 52nd Ave, Selkirk	2026	2040	\$335,000 - \$545,000	5.83%	<u>6,355,000</u>
					<u>\$ 21,968,434</u>
Included in the following Statement of Net Position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 91,212
Special assessment receivable, current portion					1,809,394
Other Property and Investments					
Special assessment receivable, net of current portion					<u>20,067,828</u>
					<u>\$ 21,968,434</u>

Cass Rural Water Users District  
Notes to Financial Statements  
December 31, 2025 and 2024

The following is a summary of special assessments receivable at December 31, 2024:

Improvement District	Initial Year	Final Year	Annual Payment	Interest Rate	Remaining Balance
Maple Valley and Prairie Grove Phase 2	2010	2025	\$21,000 - \$27,000	2.60 - 4.50%	\$ 8,524
Deer Creek, Silverleaf, Maple Valley, MGB,	2013	2027	\$60,000 - \$85,000	0.60 - 2.65%	180,127
Davies and Deer Creek 2nd	2014	2028	\$35,000 - \$60,000	0.80 - 4.00%	268,417
Eagle Point 1st and 2nd, Deer Creek 3rd, Fargo Park, and Davies	2015	2029	\$90,000 - \$105,000	0.80 - 3.10%	600,449
Crofton Cove, Deer Creek 4th, Golden Valley,	2016	2030	\$85,000 - \$175,000	0.80 - 3.50%	1,028,382
Golden Valley 2nd, Deer Creek 5th, Rocking Horse 2nd, Crofton Coves,	2017	2031	\$250,000 - \$650,000	1.10 - 3.25%	2,051,195
Woodhurst 31st, Eagle Valley 1st, Lake Shure, and Wilds 8th	2018	2032	\$75,000 - \$240,000	1.75 - 3.65%	1,139,386
Eagle Valley 2nd, Bison Meadow, and Wilds 9th	2019	2033	\$60,000 - \$85,000	2.25 - 3.70%	741,098
Rocking Horse 5th, Grayland First Phase, and Bison Meadows Phase 2	2020	2034	\$40,000 - \$55,000	1.60 - 2.30%	546,311
Eagle Valley 3rd, Madelyn Meadows 1st, Cub Creek 1st, 63rd St, Lakeview Dr, Wilds 11th, Bison	2021	2035	\$215,000 - \$800,000	0.40 - 2.00%	2,692,593
Golden Valley 4th and Madelyn Meadows 2nd	2022	2036	\$45,000 - \$275,000	.95 - 1.70%	645,925
Eagle Valley 4th, Eagle Valley 5th, Golden Valley 4th, Golden Valley 5th, Brooktree, Wilds 20th, Madelyn Meadows 2nd	2023	2037	\$100,000 - \$155,000	3.00 - 5.00%	1,607,253
Golden Valley 6th, Lost River 7th, Madelyn Meadows 4th, Meadow View, Radio Dr, Rocking Horse 6th, Southdale Farms 3rd	2024	2038	\$120,000 - \$205,000	5.80%	2,253,568
New Haven, Southdale Farms 4th, Southdale Farms 5th, Maple Lakes 2nd, BN-22-G Revised, BN-22-C Revised	2025	2039	\$110,000 - \$300,000	3.40 - 4.15%	<u>3,430,000</u>
					<u>\$ 17,193,228</u>
Included in the following Statement of Net Position captions:					
Current Assets					
Delinquent special assessment receivables					\$ 76,354
Special assessment receivable, current portion					1,484,056
Other Property and Investments					
Special assessment receivable, net of current portion					<u>15,632,818</u>
					<u>\$ 17,193,228</u>

**Note 5 - Water Plant and Depreciation**

As of December 31, 2025:

	Balance 1/1/25	Additions	Retirements	Balance 12/31/25
Classified Water Plant in Service				
Construction in progress	\$ 41,743,716	\$ 8,408,674	\$ 21,203,017	\$ 28,949,373
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	9,339,919	-	-	9,339,919
Wells	1,988,425	-	-	1,988,425
Electric pumping equipment	1,702,049	-	-	1,702,049
Water treatment equipment	5,543,829	-	-	5,543,829
Transmission and distribution mains	67,477,936	6,430,616	-	73,908,552
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Transmission mains - NDSP pipe	-	14,766,202	-	14,766,202
Service leads	21,169	-	-	21,169
Meters	2,475,962	48,591	-	2,524,553
	<u>94,545,648</u>	<u>21,245,409</u>	<u>-</u>	<u>115,791,057</u>
General Plant				
Right-to-use leased asset	35,938	-	-	35,938
Structures and improvements	2,184,489	6,200	-	2,190,689
Office furniture and equipment	314,520	10,828	7,750	317,598
Transportation equipment	547,218	108,834	81,535	574,517
Tools, shop and garage equipment	716,664	209,259	-	925,923
Other equipment - reservoir monitors	1,933,663	113,822	-	2,047,485
	<u>5,732,492</u>	<u>448,943</u>	<u>89,285</u>	<u>6,092,150</u>
Total water plant	<u>\$ 142,025,363</u>	<u>\$ 30,103,026</u>	<u>\$ 21,292,302</u>	<u>\$ 150,836,087</u>

Construction in progress as of December 31, 2025, consists of various expansion and improvement projects as follows:

Project	Expended as of 12/31/2025	Estimated Total Cost	Expected Completion Date
Diversion Impacts*	\$ 668,770	\$ 700,000	2028
Soybean User Facility	22,637,971	22,700,000	2026
Reservoir D Pipeline	4,162,725	5,400,000	2026
Cold Storage	163,471	175,000	2026
New Office	1,316,436	1,800,000	2026
	<u>\$ 28,949,373</u>		

\* This project is part of an agreement with the Metro Flood Diversion Authority, with all costs incurred by the District expected to be fully reimbursed by the Authority or paid directly by the Authority.

Accumulated depreciation/amortization as of December 31, 2025:

	Depreciation Rates in %	Balance 1/1/25	Accruals	Retirements	Balance 12/31/25
<b>Distribution Plant</b>					
Collecting and impounding reservoirs	2.0	\$ 2,831,089	\$ 186,798	\$ -	\$ 3,017,887
Wells	2.0	545,841	39,769	-	585,610
Electric pumping equipment	5.0	1,221,346	85,102	-	1,306,448
Water treatment equipment	5.0	2,645,273	221,753	-	2,867,026
Transmission	1.0	9,586,070	979,419	-	10,565,489
Service Leads	1.0	21,169	-	-	21,169
Meters	4.0	1,067,364	100,983	-	1,168,347
Totals - distribution mains		<u>17,918,152</u>	<u>1,613,824</u>	<u>-</u>	<u>19,531,976</u>
<b>General Plant</b>					
Right-to-use leased asset	2.4	18,259	6,214	-	24,473
Structures and improvements	2.0	475,722	43,814	-	519,536
Office furniture and equipment	10.0-15.0	314,519	10,828	7,750	317,597
Transportation equipment	33.3	375,406	76,389	81,535	370,260
Tools, shop and garage equipment	15.0	716,665	138,889	-	855,554
Other equipment - reservoir monitors	10.0	1,736,011	204,750	-	1,940,761
Totals - general plant		<u>3,636,582</u>	<u>480,884</u>	<u>89,285</u>	<u>4,028,181</u>
Totals - all plant		<u>\$ 21,554,734</u>	<u>\$ 2,094,708</u>	<u>\$ 89,285</u>	<u>\$ 23,560,157</u>

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

Cass Rural Water Users District

Notes to Financial Statements

December 31, 2025 and 2024

As security for Tharaldson’s debt service obligations, the District required the personal guarantee of Gary Tharaldson for the bonding and required one year’s bond payment (Upfront deposit - “Tharaldson Ethanol Escrow”) to be held by a mutually agreed-upon third party, which was included in long-term debt. The bonds were retired during the year ended December 31, 2025, with a final payoff amount of \$4,245,651, which included the depletion of the related escrow account in the amount of \$881,523. During the years ended December 31, 2025 and 2024, the District received \$953,723 and \$1,236,408, respectively, for these debt payments, and the amounts are included in operating revenues on the statements of revenues, expenses, and changes in net position.

As of December 31, 2024:

	Balance 1/1/24	Additions	Retirements	Balance 12/31/24
Classified Water Plant in Service				
Construction in progress	\$ 22,726,777	\$ 22,861,601	\$ 3,844,662	\$ 41,743,716
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	9,333,899	6,020	-	9,339,919
Wells	1,988,425	-	-	1,988,425
Electric pumping equipment	1,699,544	2,505	-	1,702,049
Water treatment equipment	5,543,829	-	-	5,543,829
Transmission and distribution mains	63,641,799	3,836,137	-	67,477,936
Transmission mains - Ethanol pipe	5,233,269	-	-	5,233,269
Service leads	21,169	-	-	21,169
Meters	2,418,497	57,465	-	2,475,962
	<u>90,643,521</u>	<u>3,902,127</u>	<u>-</u>	<u>94,545,648</u>
General Plant				
Right-to-use leased asset	27,679	8,259	-	35,938
Structures and improvements	2,184,489	-	-	2,184,489
Office furniture and equipment	313,980	2,666	2,126	314,520
Transportation equipment	524,930	61,223	38,935	547,218
Tools, shop and garage equipment	699,065	19,349	1,750	716,664
Other equipment - reservoir monitors	1,877,238	56,425	-	1,933,663
	<u>5,627,381</u>	<u>147,922</u>	<u>42,811</u>	<u>5,732,492</u>
Total water plant	<u>\$ 119,001,186</u>	<u>\$ 26,911,650</u>	<u>\$ 3,887,473</u>	<u>\$ 142,025,363</u>

Accumulated depreciation/amortization as of December 31, 2024:

	Depreciation Rates in %	Balance 1/1/24	Accruals	Retirements	Balance 12/31/24
<b>Distribution Plant</b>					
Collecting and impounding reservoirs	2.0	\$ 2,644,291	\$ 186,798	\$ -	\$ 2,831,089
Wells	2.0	506,072	39,769	-	545,841
Electric pumping equipment	5.0	1,164,605	56,741	-	1,221,346
Water treatment equipment	5.0	2,423,520	221,753	-	2,645,273
Transmission	1.0	8,806,625	779,445	-	9,586,070
Service Leads	1.0	21,169	-	-	21,169
Meters	4.0	968,326	99,038	-	1,067,364
Totals - distribution mains		<u>16,534,608</u>	<u>1,383,544</u>	<u>-</u>	<u>17,918,152</u>
<b>General Plant</b>					
Right-to-use leased asset	2.4	13,801	4,458	-	18,259
Structures and improvements	2.0	432,032	43,690	-	475,722
Office furniture and equipment	10.0-15.0	313,979	2,666	2,126	314,519
Transportation equipment	33.3	364,576	49,765	38,935	375,406
Tools, shop and garage equipment	15.0	694,020	24,395	1,750	716,665
Other equipment - reservoir monitors	10.0	1,542,645	193,366	-	1,736,011
Totals - general plant		<u>3,361,053</u>	<u>318,340</u>	<u>42,811</u>	<u>3,636,582</u>
Totals - all plant		<u>\$ 19,895,661</u>	<u>\$ 1,701,884</u>	<u>\$ 42,811</u>	<u>\$ 21,554,734</u>

**Note 6 - Leases**

**Lease Receivable**

The District has accrued a receivable for land leases with various third parties. The remaining receivable for these leases was \$13,881 and \$37,489 for the years ended December 31, 2025 and 2024, respectively. Deferred inflows related to these leases were \$13,881 and \$37,489 as of December 31, 2025 and 2024, respectively. Interest revenue recognized on these leases was \$1,967 and \$1,470 for the years ended December 31, 2025 and 2024, respectively. Principal receipts of \$23,609 and \$23,738 were recognized during the fiscal years ended December 31, 2025 and 2024, respectively. The interest rate on the leases was 2.0%. Final receipt is expected in fiscal year 2026.

**Lease Liability**

The District has entered into lease agreements as the lessee for the acquisition and use of office equipment. The District is required to make principal and interest payments through April 2029. The lease liability was valued using a discount rate of 2.0%, based on the District’s incremental borrowing rate at the inception of the leases. The total amount of right to use leased assets, and the related accumulated amortization on right to use leased assets was \$35,938 and \$24,473, as of December 31, 2025. The total amount of right to use leased assets, and the related accumulated amortization on right to use leased assets was \$35,938 and \$18,259, as of December 31, 2024.

The future principal and interest payments as of December 31, 2025, are as follows:

Years Ending December 31,	Principal	Interest
2026	\$ 6,088	\$ 476
2027	2,919	243
2028	1,855	173
2029	603	66
	\$ 11,465	\$ 958

**Note 7 - Long-Term Debt**

Long term debt consists of:

	Balance 1/1/25	Additions	Payments	Balance 12/31/25	Due within One Year
Revenue Bonds of 2004	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -
Revenue Bonds of 2007	4,245,651	-	4,245,651	-	-
NDPFA SRF 2008	385,001	-	75,000	310,001	75,000
Bremer Bond Issue	594,261	-	45,179	549,082	47,419
Tharaldson Ethanol Escrow	872,764	8,759	881,523	-	-
Starion Bond Series A	180,000	-	60,000	120,000	60,000
Starion Bond Series B	240,000	-	60,000	180,000	60,000
Refunding Revenue Bonds of 2015	735,000	-	115,000	620,000	115,000
NDPFA SRF 2014	1,835,000	-	165,000	1,670,000	170,000
Improvement Bonds of 2016	2,135,000	-	280,000	1,855,000	295,000
Improvement Bonds of 2017	880,000	-	100,000	780,000	100,000
NDPFA SRF 2018	670,000	-	40,000	630,000	45,000
Improvement Bonds of 2018	705,000	-	75,000	630,000	75,000
NDPFA SRF 2019	1,810,000	-	105,000	1,705,000	105,000
Improvement Bonds of 2019	530,000	-	50,000	480,000	50,000
Improvement Bonds of 2020	2,690,000	-	220,000	2,470,000	225,000
Refunding Improvement Bonds 2021	1,500,000	-	270,000	1,230,000	265,000
Refunding Improvement Bonds 2021, Series B	650,000	-	50,000	600,000	50,000
Improvement Bonds of 2022	1,570,000	-	100,000	1,470,000	105,000
NDPFA SRF 2022	1,600,000	-	70,000	1,530,000	70,000
NDPFA SRF 2023	22,858,131	999,023	2,670,000	21,187,154	2,472,154
NDSP Debt Escrow	2,262,956	800,678	-	3,063,634	-
Improvement Bonds of 2023	2,230,000	-	120,000	2,110,000	130,000
NDPFA SRF 2024	1,107,464	468,375	109,000	1,466,839	110,000
Improvement Bonds of 2024	3,445,000	-	110,000	3,335,000	195,000
Improvement Bonds of 2025	-	6,355,000	-	6,355,000	420,000
Lease Liability	17,682	-	6,217	11,465	6,088
	<u>\$ 55,873,910</u>	<u>\$ 8,631,835</u>	<u>\$ 10,147,570</u>	<u>\$ 54,358,175</u>	<u>\$ 5,245,661</u>
	Balance 1/1/24	Additions	Payments	Balance 12/31/24	Due within One Year
Revenue Bonds of 2004	\$ 235,000	\$ -	\$ 110,000	\$ 125,000	\$ 125,000
Radcliffe Revocable Trust	11,747	-	11,747	-	-
Revenue Bonds of 2007	5,220,651	-	975,000	4,245,651	1,005,000
NDPFA SRF 2008	455,001	-	70,000	385,001	75,000
Bremer Bond Issue	640,086	-	45,825	594,261	49,346
Improvement Bonds of 2009	25,000	-	25,000	-	-
Tharaldson Ethanol Escrow	841,520	31,244	-	872,764	-
Starion Bond Series A	240,000	-	60,000	180,000	60,000
Starion Bond Series B	295,000	-	55,000	240,000	60,000
Refunding Revenue Bonds of 2015	845,000	-	110,000	735,000	115,000
NDPFA SRF 2014	1,995,000	-	160,000	1,835,000	165,000
Improvement Bonds of 2016	2,410,000	-	275,000	2,135,000	280,000
Improvement Bonds of 2017	980,000	-	100,000	880,000	100,000
NDPFA SRF 2018	710,000	-	40,000	670,000	40,000
Improvement Bonds of 2018	770,000	-	65,000	705,000	75,000
NDPFA SRF 2019	1,915,000	-	105,000	1,810,000	105,000
Improvement Bonds of 2019	580,000	-	50,000	530,000	50,000
Improvement Bonds of 2020	2,910,000	-	220,000	2,690,000	220,000
Refunding Improvement Bonds 2021	1,775,000	-	275,000	1,500,000	270,000
Refunding Improvement Bonds 2021, Series B	700,000	-	50,000	650,000	50,000
Improvement Bonds of 2022	1,670,000	-	100,000	1,570,000	100,000
NDPFA SRF 2022	1,495,845	209,155	105,000	1,600,000	105,000
NDPFA SRF 2023	8,534,091	16,940,040	2,616,000	22,858,131	2,670,000
NDSP Debt Escrow	2,177,096	85,860	-	2,262,956	-
Improvement Bonds of 2023	2,380,000	-	150,000	2,230,000	120,000
NDPFA SRF 2024	-	1,107,464	-	1,107,464	109,000
Improvement Bonds of 2024	-	3,445,000	-	3,445,000	110,000
Lease Liability	13,882	8,259	4,459	17,682	6,210
	<u>\$ 39,824,919</u>	<u>\$ 21,827,022</u>	<u>\$ 5,778,031</u>	<u>\$ 55,873,910</u>	<u>\$ 6,064,556</u>

Maturity dates and interest rates are as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>
NDPFA SRF 2008	2029	2.50%
Bremer Bond Issue	2034	4.26%
Starion Bond Series A	2027	0.60 - 2.65%
Starion Bond Series B	2028	0.80 - 4.00%
Refunding Revenue Bonds of 2015	2030	0.90-3.00%
NDPFA SRF 2014	2034	2.00%
Improvement Bonds of 2016	2031	1.10 - 3.25%
Improvement Bonds of 2017	2032	1.75 - 3.65%
NDPFA SRF 2018	2038	1.50%
Improvement Bonds of 2018	2033	2.25 - 3.70%
NDPFA SRF 2019	2039	1.50%
Improvement Bonds of 2019	2034	1.60 - 2.30%
Improvement Bonds of 2020	2035	0.40 - 2.00%
Refunding Improvement Bonds 2021	2030	0.25 - 1.40%
Refunding Improvement Bonds 2021, Series B	2036	0.95 - 1.70%
Improvement Bonds of 2022	2037	3.20 - 4.25%
NDPFA SRF 2022	2043	1.50%
NDPFA SRF 2023	2033	1.50%
NDSP Debt Escrow	2033	0.00%
Improvement Bonds of 2023	2038	4.00-4.38%
NDPFA SRF 2024	2035	1.50%
Improvement Bonds of 2024	2039	3.40-4.15%
Improvement Bonds of 2025	2040	3.40-4.15%

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 the year ended December 31, 2025, the District issued Improvements Bonds of 2025, in the amount of \$6,355,000 to finance public improvements to provide municipal water to residential users in the Wild 21<sup>st</sup> Assessment District, Rivers Edge 2<sup>nd</sup> Assessment District, Cub Creek 2<sup>nd</sup> Assessment District, 66<sup>th</sup> Street Water Main Assessment District, Selkirk Assessment District, and 52<sup>nd</sup> Ave S Assessment District. The bonds bear an interest rate of 3.40% to 4.15% and call for semiannual interest payments and annual principal payments commencing May 2026. The bonds are payable from special assessments levied against benefiting properties. In the event special assessments are insufficient to meet principal and interest payments, the District has covenanted it will make up any deficiency from the net revenues and other legally available funds of the District.

During the year ended December 31, 2024, the District authorized the issuance of \$2,604,000 with the North Dakota Public Finance Authority Drinking Water State Revolving Fund. The agreement requires annual principal payments commencing September 2025 through September 2044. Semi-annual interest payments at an interest rate of 1.50% along with a 0.5% administration fee commence March 2025.. During the years ended December 31, 2025 and 2024, the District had additional draws of \$468,375 and \$1,107,464, respectively on this debt issuance.

During the year ended December 31, 2024, the District issued Improvements Bonds of 2024, in the amount of \$3,445,000 to finance public improvements to provide municipal water to residential users in the New Haven Addition, Southdale Farms 4<sup>th</sup> Addition, Southdale Farms 5<sup>th</sup> Addition, Maple Lakes 2<sup>nd</sup> Addition, Meadow View 2<sup>nd</sup> Addition, and Golden Valley 7<sup>th</sup> Addition. The bonds bear an interest rate of 3.40% to 4.15% and call for semiannual interest payments and annual principal payments commencing May 2025. The bonds are payable from special assessments levied against benefiting properties. In the event special assessments are insufficient to meet principal and interest payments, the District has covenanted it will make up any deficiency from the net revenues and other legally available funds of the District.

In 2022, the District authorized the issuance of \$28,646,000 with the North Dakota Public Finance Authority Drinking Water State Revolving Fund. The agreement requires annual principal payments commencing September 2024 through September 2033. Semi-annual interest payments at an interest rate of 1.50% along with a 0.5% administration fee commencing March 2023. During the years ended December 31, 2025 and 2024, the District had additional draws of \$999,023 and \$16,940,040, respectively on this debt issuance.

In 2022, the District authorized the issuance of \$2,500,000 of Cass Rural Water Users District Treatment Revenue Bond, Series 2022 to finance system improvements. The agreement requires semi-annual interest payments at a rate of 1.50% commencing March 2023 through September 2043. Annual principal payments are required to be made commencing September 2024 through September 2043. During the years ended December 31, 2025 and 2024, the District had additional draws of \$0 and \$209,155, respectively on this debt issuance.

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>
2026	\$ 5,245,661	\$ 1,206,198
2027	5,238,340	1,086,945
2028	5,290,467	978,179
2029	5,347,610	869,965
2030	5,285,614	758,554
2031 - 2035	21,945,483	2,220,863
2036 - 2040	5,705,000	529,193
2041 - 2043	300,000	13,050
	<u>\$ 54,358,175</u>	<u>\$ 7,662,947</u>

**Note 8 - Compensated Absences**

As of December 31, 2025, the District had the following compensated absences balances:

	Balance 1/1/25	Additions	Payments	Balance 12/31/25	Due within One Year
Compensated Absences*	\$ 178,246	\$ 3,747	\$ -	\$ 181,993	\$ 27,612

As of December 31, 2024, the District had the following compensated absences balances:

	Balance 1/1/24	Additions	Payments	Balance 12/31/24	Due within One Year
Compensated Absences*	\$ 190,522	\$ -	\$ 12,276	\$ 178,246	\$ 31,479

\*Change in compensated absences is presented as the net change for the year.

**Note 9 - Major Customers**

The District derived 10 percent or more of its revenue from the following customers during the years ended December 31, 2025 and 2024:

	2025	2024
Customer A	\$ 2,488,729	\$ 2,799,675
Customer B	3,530,384	2,922,347
	\$ 6,019,113	\$ 5,722,022

As of December 31, 2025 and 2024, the District had accounts receivable due from Customer A of \$121,635 and \$217,039, respectively, and accounts receivable due from Customer B of \$33,204 and \$25,573, respectively.

**Note 10 - 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, 2025 and 2024, was \$77,377 and \$79,838, respectively.

## **Note 11 - Commitments and Agreements**

### **Wholesale Water Agreements**

The District is committed to purchase water from the City of Fargo under a wholesale water agreement. The District must purchase at least 500,000 gallons of treated water per month at \$4.70 per thousand gallons of treated water. This agreement commenced on January 1, 2025.

The District is committed to sell water to the City of Horace under a wholesale water agreement. The District will sell potable water to the City of Horace, not to exceed a monthly maximum of 12,000,000 gallons, at a rate of \$3.75 per thousand gallons. As of August 1, 2025 the rate the District sells water to the City of Horace increased to \$5.40 per thousand gallons. Each year under the agreement, the rate is subject to change in accordance with the District's "Bulk User Rate" and upon prompt written notice to the City of Horace. This agreement will remain in effect until 2041.

### **City of West Fargo**

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.

### **City of Oxbow**

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

### **City of Horace**

The District entered into an agreement relating to portions of new developments within the City of Horace that lay within the service territory of the District. The District has the exclusive right to provide water and water service to properties located within the District's service territory. Therefore, the City and the District have entered into an agreement in which the City agreed to construct the needed water infrastructure within the new development areas located within District territory. Upon completion, the City will sell the infrastructure within District territory to the District at the City's cost plus 13%. During the year ended December 31, 2025, there was \$3,676,240 in completed developments in the District's territory.

### **Metro Flood Diversion Authority**

The District entered in an agreement with the Metro Flood Diversion Authority (the Authority) regarding the reimbursement of all costs associated with the Fargo-Moorhead Metropolitan Area Flood Risk Management Project (Diversion project). The District owns distribution lines within the territory of the Diversion project and any reasonable costs incurred by the District to move and meet all requirements of the Diversion project are subject to 100% reimbursement. As of December 31, 2025, the District has incurred total costs relating to this project of \$668,770.

### **North Dakota Soybean Processors and City of Fargo**

The District entered into a memo of understanding between both the North Dakota Soybean Processors, LLC (NDSP) and the City of Fargo. Under this agreement, the District will construct a Membrane Treatment Plant in association with a soybean processing facility near Casselton, North Dakota. The project will be financed through a Cost-Share agreement with the State Water Commission, as well as bonds issued with the North Dakota Public Finance Authority. Upon completion of the project, the Membrane Treatment Plant will be transferred to the City of Fargo, who is responsible for operation and maintenance of the plant. At this time, the District will receive the exclusive right to supply treated wastewater to the facility for 20 years. This project is expected to be completed in 2026 with an estimated cost of \$22,700,000. As of December 31, 2025, the District has incurred total costs relating to this project of \$22,637,971.

The District also has a separate developers agreement with NDSP in regard to the bonds issued with the North Dakota Public Finance Authority to construct the Membrane Treatment Plant. NDSP has agreed to reimburse the District for the required annual principal and interest payments of the bonds. NDSP has also agreed to fund any reserve requirement associated with the bonds. For security of these payments, NDSP must file an irrevocable letter of credit satisfactory to the District, which will remain in place until the bonds are retired or otherwise no longer outstanding. As of December 31, 2025, the reserve fund had a balance of \$3,063,634, which is included in cash and cash equivalents - restricted. During the years ended December 31, 2025, the District received \$3,121,741 for the required debt payments, which are included in operating revenues on the statements of revenues, expenses, and changes in net position.

Other Information  
December 31, 2025 and 2024  
**Cass Rural Water Users District**

Cass Rural Water Users District  
Schedule of Directors, Officers and Manager (Unaudited)  
December 31, 2025

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

Cass Rural Water Users District  
Comparative Schedules of Operations (Unaudited)  
Years Ended December 31, 2021 - 2025

	2021		2022		2023 (as restated)		2024		2025	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Operating Revenue	\$ 9,247,421	100.0 %	\$ 9,678,321	100.0 %	\$ 10,615,432	100.0 %	\$ 13,937,271	100.0 %	\$ 15,497,366	100.0 %
Operating Expenses										
Pumping	262,739	2.8	271,562	2.8	271,510	2.6	253,707	1.8	279,388	1.8
Water treatment and testing	214,368	2.3	234,548	2.4	264,899	2.5	239,895	1.7	250,753	1.6
Transmission and distribution	634,405	6.9	848,618	8.8	919,075	8.7	1,105,118	7.9	949,762	6.1
Administrative and general	1,292,137	14.0	1,427,251	14.7	1,540,551	14.5	1,652,749	11.9	1,751,710	11.3
Purchased water	2,574,292	27.8	2,455,689	25.4	3,008,761	28.3	2,898,862	20.8	4,383,761	28.3
Depreciation and amortization	1,971,545	21.3	2,001,167	20.7	2,196,977	20.7	2,223,054	16.0	2,615,880	16.9
Taxes	94,693	1.0	99,033	1.0	131,057	1.2	129,188	0.9	114,848	0.7
Total operating expenses	7,044,179	76.1	7,337,868	75.8	8,332,830	78.5	8,502,573	61.0	10,346,102	66.7
Operating Income	2,203,242	23.9	2,340,453	24.2	2,282,602	21.5	5,434,698	39.0	5,151,264	33.3
Nonoperating Revenues (Expenses)										
Investment income	17,372	0.2	119,353	1.2	431,491	4.1	632,339	4.5	642,321	4.1
Interest on special assessment	685,554	7.4	650,601	6.7	579,598	5.5	648,065	4.6	839,846	5.4
Special assessments	777,664	8.4	1,809,101	18.7	2,370,000	22.3	3,430,000	24.6	6,356,247	41.0
Interest expense	(822,983)	(8.9)	(759,833)	(7.9)	(819,782)	(7.7)	(1,125,690)	(8.1)	(1,249,369)	(8.1)
Other	829,962	9.0	1,547,068	16.0	18,460,167	173.9	4,137,945	29.7	1,066,382	6.9
Total nonoperating revenues (expenses), net	1,487,569	16.1	3,366,290	34.7	21,021,474	198.1	7,722,659	55.3	7,655,427	49.3
Change in Net Position	\$ 3,690,811	40.0 %	\$ 5,706,743	58.9 %	\$ 23,304,076	219.6 %	\$ 13,157,357	94.3 %	\$ 12,806,691	82.6 %

Additional Reports  
December 31, 2025 and 2024  
**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 (*Government Auditing Standards*), the financial statements of Cass Rural Water Users District (the District), as of and for the year ended December 31, 2025, 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 24, 2026.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-002, 2025-003, and 2025-004, that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **The District's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
March 24, 2026

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**Section I – Financial Statement Findings**

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**2025-001      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), cash receipts, record keeping, reconciliation functions, general ledger maintenance, and information technologies.

*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, reconciliation functions, general ledger maintenance, and information technology systems 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.

**2025-002**      **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.

**2025-003**      **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.

**2025-004 Account Reconciliation Differences  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for correcting all differences noted between the trial balances and subledgers or supporting schedules.

*Condition* – During the course of our engagement, we identified differences in account reconciliations that would not have been identified as a result of the District’s existing internal controls.

*Cause* – The District does not have an internal control system designed to accurately reconcile all accounts.

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

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and supervisor levels.

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