



Southeast Cass Water Resource District

West Fargo, North Dakota

Audit Report

For the Year Ended December 31, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

SOUTHEAST CASS WATER RESOURCE DISTRICT

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SOUTHEAST CASS WATER RESOURCE DISTRICT

District Officials and Audit Personnel

December 31, 2018

DISTRICT OFFICIALS

Dan Jacobson
Lance Yohe
Ken Pawluk

Chairman
Vice Chairman
Manager

Carol Harbeke Lewis

Secretary-Treasurer

Sean M. Fredericks

Attorney

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE
Rick Kremer

Audit Manager
Audit In-Charge

STATE AUDITOR

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MANAGER – CRAIG HASHBARGER
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OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR’S REPORT

Governing Board
Southeast Cass Water Resource District
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southeast Cass Water Resource District, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Southeast Cass Water Resource 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southeast Cass Water Resource District, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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, budgetary comparison information schedule of district's share of net pension liability and district contributions, and schedule of district's share of net OPEB liability and district contributions, and notes to the required supplementary information* as listed in the table of contents 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 Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Cass Water Resource District's basic financial statements. The *schedule of fund activity - cash basis, combining balance sheet - maintenance fund, and combining statement of revenues, expenditures, and changes in fund balances - maintenance fund* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity - cash basis, combining balance sheet - maintenance fund, and combining statement of revenues, expenditures, and changes in fund balances - maintenance fund* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 fund activity - cash basis, combining balance sheet - maintenance fund, and combining statement of revenues, expenditures, and changes in fund balances - maintenance fund* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019 on our consideration of Southeast Cass Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Southeast Cass Water Resource District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 4, 2019

SOUTHEAST CASS WATER RESOURCE DISTRICT

Management's Discussion and Analysis
December 31, 2018

The management's discussion and analysis (MD&A) of Southeast Cass Water Resource District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2018. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Net position decreased by \$7,121,428 as a result of the current year's operations, primarily due to land transfers for the In-Town Levees.
- Governmental net position as of the end of the fiscal year totaled \$236,016,563.
- Total revenues from all sources were \$16,170,957, on the government-wide statement of activities and \$16,457,427 on the modified accrual basis.
- Total expenses were \$9,460,342 on the government-wide statement of activities and total expenditures were \$14,935,819 on the modified accrual basis.
- The District's general fund had \$7,242,486 in total revenues and \$6,049,670 in total expenditures. Overall, the general fund balance increased by \$1,967,651 for the year ended December 31, 2018.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund, maintenance fund, capital project fund, and debt service fund.

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Management’s Discussion and Analysis - Continued

The table below summarizes the major features of the District’s financial statements, including portions of the District’s activities covered and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements		
	Government-Wide Statements	Governmental Fund Financial Statements
Scope	Entire District	The activities of the district
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of revenues, expenditures and changes in fund balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resource Focus	Modified accrual accounting and current financial resource focus
Type of Asset/Liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short term and long-term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the District to provide programs and activities and attempt to answer the question “How did the District do financially during the year ended December 31, 2018?”

The Statement of Net Position presents information on all the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District’s net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

These two statements report the District’s net position and changes in those assets. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where all of the District’s programs and services are reported including, but not limited to, conservation of natural resources, capital outlay, and debt service.

REPORTING ON THE DISTRICT’S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and contributions). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District’s major funds. Using the criteria established by GASB Statement No. 34, the District’s general fund, maintenance fund, capital project fund, and debt service fund are considered “major funds”.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I reflects significant changes in current assets, long-term assets, capital Assets, current liabilities, and long-term liabilities between the December 31, 2018 and December 31, 2017 fiscal years. Current assets and capital assets decreased. Current liabilities increased in 2018 due to more construction on various projects. Long-term liabilities decreased.

The District's net position of \$236,016,563 is segregated into three separate categories. Net investment in capital assets represents 92% of the District's total net position. It should be noted that these assets are not available for future spending. Restricted net position represents 4% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents 4% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

TABLE I
NET POSITION
 December 31, 2018 and 2017

	2018	2017
ASSETS		
Current and Other Assets	\$ 19,337,812	\$ 18,042,090
Capital Assets, Net	220,731,271	230,119,152
Total Assets	\$ 240,069,083	\$ 248,161,242
Deferred Outflows of Resources	\$ 107,453	\$ 122,638
LIABILITIES		
Current Liabilities	\$ 640,810	\$ 600,302
Long-Term Liabilities	3,498,431	4,534,596
Total Liabilities	\$ 4,139,241	\$ 5,134,898
Deferred Inflows of Resources	\$ 20,732	\$ 15,143
NET POSITION		
Net Investment in Capital Assets	\$ 217,458,400	\$ 225,844,476
Restricted	8,920,178	9,932,606
Unrestricted	9,637,985	7,356,757
Total Net Position	\$ 236,016,563	\$ 243,133,839

Table II shows the changes in net position for the fiscal year ended December 31, 2018 and 2017.

TABLE II
CHANGE IN NET POSITION
 As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Program Revenues		
Capital Grants & Contributions	\$ 7,419,465	\$ 35,729,633
Operating Grants & Contributions	1,474,952	677,312
General Revenues		
Property Taxes & Drain Taxes	6,406,953	5,861,502
Non-restricted Grants and Contribution	155,950	138,735
Interest Earnings	146,852	28,890
Miscellaneous Revenue	566,784	952,673
Total Revenues	<u>\$ 16,170,956</u>	<u>\$ 43,388,745</u>
EXPENSES		
Conservation of Natural Resources	\$ 9,374,147	\$ 9,978,475
Interest and Service Charges	86,195	114,303
Total Expenses	<u>\$ 9,460,342</u>	<u>\$ 10,092,778</u>
SPECIAL ITEM		
Quitclaim Deed	<u>\$ (13,832,042)</u>	<u>\$ -</u>
Change in Net Position	<u>\$ (7,121,428)</u>	<u>\$ 33,295,967</u>
Net Position – January 1	\$ 243,133,839	\$ 209,848,571
Prior Period Adjustment	4,151	(10,699)
Net Position – January 1, as restated	<u>\$ 243,137,991</u>	<u>\$ 209,837,872</u>
Net Position – December 31	<u><u>\$ 236,016,563</u></u>	<u><u>\$ 243,133,839</u></u>

Revenues and expenses were comprised of the following:

Revenues	
Property Taxes	39.62%
Capital Grants & Contributions	45.88%
Operating and Non-Restricted Grants and Contributions	10.09%
Interest and Miscellaneous Revenue	4.41%
Expenses	
Conservation of Natural Resources	99.09%
Interest and Service Charges	0.91%

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Management's Discussion and Analysis - Continued

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

TABLE III
TOTAL AND NET COST OF SERVICES
 As of December 31, 2018 and 2017

	Total Cost For Year Ended Dec. 31, 2018	Net Cost For Year Ended Dec. 31, 2018	Total Cost For Year Ended Dec. 31, 2017	Net Cost For Year Ended Dec. 31, 2017
Conservation of Natural Resources	\$ 9,374,147	\$ (479,731)	\$ 9,978,475	\$ 26,428,470
Interest and Service Charges	86,195	(86,195)	114,304	(114,304)
Total Expenses	<u>\$ 9,460,342</u>	<u>\$ (565,926)</u>	<u>\$ 10,092,779</u>	<u>\$ 26,314,166</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenue of \$16,457,427 and expenditures of \$14,935,819 for the year ended December 31, 2018. The general fund had revenues of \$7,242,486 and expenditures of \$6,049,670, while transfers in totaled \$5,992,835 and transfers out were \$5,218,000 causing a net increase in the general fund of \$1,967,651. As of December 31, 2018 the unassigned fund balance of the District's general fund was \$104,687 and the total unassigned fund balance for the entire District's governmental funds was \$(2,404,050). Restricted fund balances totaled \$7,859,309 and committed fund balances totaled \$12,179,630.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2018, the District amended the general fund revenue budget by \$6,465,000 due to intergovernmental cost share reimbursements received from the State Water Commission and the City of Fargo. The general fund expenditure budget was amended (increased) by \$4,509,320 due to more spent on construction.

Actual revenue for the year ended December 31, 2018 was \$2,013,109 less than budgeted due to the adjustment of accounts receivable. Actual expenditures for the year ended December 31, 2018 were under budget by \$1,250,245 due to the adjustment of accounts payable.

CAPITAL ASSETS

As of December 31, 2018, the District had \$220,731,271 invested in capital assets, net of depreciation. Table IV shows the balances as of December 31, 2018 and 2017.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 December 31, 2018 and 2017

	2018	2017
Land	\$ 130,651,610	\$ 140,799,534
Construction in Progress	1,050,608	14,687,350
Facilities	53,325,309	43,240,712
Projects	35,542,836	31,211,534
Equipment	160,908	180,022
Total Net Capital Assets	<u>\$ 220,731,271</u>	<u>\$ 230,119,152</u>

This total represents a decrease of \$9,387,881 (4%) in net capital assets from January 1, 2018 primarily due to land transfers to the City of Fargo for the In-Town Levees. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

LONG-TERM LIABILITIES

Table V shows the balances of long-term liabilities at December 31, 2018 and 2017.

TABLE V
LONG-TERM LIABILITIES
 December 31, 2018 and 2017

	2018	2017
Long-Term Debt		
Special Assessment Bonds	\$ 2,640,000	\$ 3,615,000
Bond Discount	(38,629)	(50,380)
Bond Premium	21,350	27,173
Loans Payable	610,000	679,000
Total Long-Term Debt	<u>\$ 3,232,721</u>	<u>\$ 4,270,794</u>
Compensated Absences	\$ 16,369	\$ 19,745
Net Pension Liability	238,874	229,517
Net OPEB Liability	10,466	10,658
Total Long-Term Liabilities	<u>\$ 3,498,431</u>	<u>\$ 4,530,714</u>

Of these amounts, \$1,007,969 was due within one year. Long-term liabilities decreased by \$1,032,283 over the prior year due to the retirement of debt.

For a detailed breakdown of the long-term debt readers are referred to Note 6 to the audited financial statements which follow this analysis.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the Districts' finances and to show the District's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Carol Harbeke Lewis, Secretary-Treasurer, Southeast Cass Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Statement of Net Position

December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 17,943,174
Due from County	16,504
Taxes Receivable	76,252
Special Assessments Receivable	4,495
Intergovernmental Receivable	261,446
Uncertified Special Assessments Receivable	1,035,942
Capital Assets, Net	<u>220,731,271</u>
Total Assets	<u>\$ 240,069,083</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 107,453</u>
LIABILITIES	
Accounts Payable	582,337
Benefits Payable	3,897
Retainages Payable	40,150
Interest Payable	14,426
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	991,600
Compensated Absences Payable	16,369
Due After One Year	
Long-Term Debt	2,241,121
Net Pension Liability	238,874
Net OPEB Liability	<u>10,466</u>
Total Liabilities	<u>4,139,241</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 20,732</u>
NET POSITION	
Net Investment in Capital Assets	\$ 217,458,400
Restricted	
Capital Projects	1,035,942
Debt Service	525,938
Conservation of Natural Resources	7,358,299
Unrestricted	<u>9,637,985</u>
Total Net Position	<u>\$ 236,016,563</u>

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Conservation of Natural Resources	\$ 9,374,147	\$ 1,474,952	\$ 7,419,465	\$ (479,731)
Interest on Long-Term Debt	86,195	-	-	(86,195)
Total Governmental Activities	\$ 9,460,342	\$ 1,474,952	\$ 7,419,465	\$ (565,926)
General Revenues				
Property Taxes				\$ 6,406,953
Non-restricted Grants and Contributions				155,950
Interest Earnings				146,852
Miscellaneous Revenue				566,784
Total General Revenues				\$ 7,276,540
Special Item				
Quitclaim Deed				\$ (13,832,042)
Change in Net Position				\$ (7,121,428)
Net Position - January 1				\$ 243,133,839
Prior Period Adjustment				\$ 4,151
Net Assets - January 1, as restated				\$ 243,137,991
Net Position - December 31				\$ 236,016,563

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2018

	General Fund	Maintenance Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 12,188,813	\$ 5,617,602	\$ -	\$ 136,759	\$ 17,943,174
Intergovernmental Receivable	239,261	-	22,184	-	261,446
Due from County	5,617	8,117	-	2,769	16,504
Due from Other Funds	-	-	-	396,340	396,340
Taxes Receivable	25,025	51,227	-	-	76,252
Special Assessments Receivable	-	-	-	4,495	4,495
Uncertified Special Assessments Receivable	-	-	-	1,035,942	1,035,942
Total Assets	\$ 12,458,717	\$ 5,676,946	\$ 22,184	\$ 1,576,305	\$ 19,734,152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 145,478	\$ 414,770	\$ 22,089	\$ -	\$ 582,337
Benefits Payable	3,897	-	-	-	3,897
Due to Other Funds	-	-	396,340	-	396,340
Total Liabilities	\$ 149,375	\$ 414,770	\$ 418,429	\$ -	\$ 982,574
Deferred Inflows of Resources					
Taxes Receivable	\$ 25,025	\$ 51,227	\$ -	\$ -	\$ 76,252
Special Assessments Receivable	-	-	-	4,495	4,495
Uncertified Special Assessments Receivable	-	-	-	1,035,942	1,035,942
Total Deferred Inflows of Resources	\$ 25,025	\$ 51,227	\$ -	\$ 1,040,437	\$ 1,116,689
Total Liabilities and Deferred Inflows of Resources	\$ 174,400	\$ 465,997	\$ 418,429	\$ 1,040,437	\$ 2,099,263
Fund Balances					
Restricted	\$ -	\$ 7,323,440	\$ -	\$ 535,868	\$ 7,859,309
Committed	12,179,630	-	-	-	12,179,630
Unassigned	104,687	(2,112,491)	(396,245)	-	(2,404,050)
Total Fund Balances	\$ 12,284,316	\$ 5,210,949	\$ (396,245)	\$ 535,868	\$ 17,634,889
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,458,717	\$ 5,676,946	\$ 22,184	\$ 1,576,305	\$ 19,734,152

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2018

Total <i>Fund Balances</i> for Governmental Funds		\$ 17,634,889
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		220,731,271
Property taxes and special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Taxes Receivable	\$ 76,252	
Special Assessments Receivable	<u>4,495</u>	80,747
Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		1,035,942
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions and OPEB	\$ 107,453	
Deferred Inflows Related to Pensions and OPEB	<u>(20,732)</u>	86,721
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt and retainage payable is not accrued in governmental funds, but rather is recognized as an expense when due. All liabilities, both current and long-term, are reported in the statement of net position.		
Long-Term Debt	\$ (3,232,721)	
Interest Payable	(14,426)	
Retainages Payable	(40,150)	
Compensated Absences	(16,369)	
Net Pension Liability	(238,874)	
Net OPEB Liability	<u>(10,466)</u>	<u>(3,553,007)</u>
Total Net Position - Governmental Activities		<u>\$ 236,016,563</u>

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 For the Year Ended December 31, 2018

	General Fund	Maintenance Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 2,094,304	\$ 4,300,885	\$ -	\$ -	\$ 6,395,189
Special Assessments	-	-	-	353,993	353,993
Intergovernmental	4,607,936	44,069	4,342,605	-	8,994,609
Interest Income	80,822	59,465	-	6,565	146,852
Miscellaneous	459,423	86,357	21,003	-	566,784
Total Revenues	\$ 7,242,486	\$ 4,490,775	\$ 4,363,608	\$ 360,558	\$ 16,457,427
EXPENDITURES					
Current					
Conservation of Natural Resources	\$ 6,049,478	\$ 1,562,974	\$ 159,449	\$ -	\$ 7,771,900
Capital Outlay	192	2,427,122	3,606,568	-	6,033,883
Debt Service					
Principal	-	-	-	1,044,000	1,044,000
Interest	-	-	-	79,730	79,730
Service Fees	-	-	-	6,306	6,306
Total Expenditures	\$ 6,049,670	\$ 3,990,096	\$ 3,766,017	\$ 1,130,036	\$ 14,935,819
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,192,816	\$ 500,679	\$ 597,591	\$ (769,478)	\$ 1,521,608
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 5,992,835	\$ 58,176	\$ 57,017	\$ 742,970	\$ 6,850,998
Transfers Out	(5,218,000)	(742,970)	-	(890,028)	(6,850,998)
Total Other Financing Sources (Uses)	\$ 774,835	\$ (684,794)	\$ 57,017	\$ (147,058)	\$ -
Net Change in Fund Balances	\$ 1,967,651	\$ (184,115)	\$ 654,608	\$ (916,535)	\$ 1,521,608
Fund Balance - January 1	\$ 10,316,666	\$ 5,395,064	\$ (1,050,853)	\$ 1,452,404	\$ 16,113,280
Fund Balance - December 31	\$ 12,284,316	\$ 5,210,949	\$ (396,245)	\$ 535,868	\$ 17,634,889

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,521,608

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Asset Additions	\$ 6,667,896	
Current Year Depreciation Expense	(2,223,735)	
Quitclaim Deed to the City of Fargo	<u>(13,832,042)</u>	(9,387,881)

The proceeds of debt issuances provide current financial resources of governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Debt		1,044,000
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Collections on uncertified special assessments is a revenue in the governmental funds, but the collection reduces the long-term receivable in the statement of net position. This is the amount of receivable collection. Issuance of uncertified special assessments increases a long-term receivable via a capital grant/contribution. The issuance of long-term special assessments are not reported in the funds as the assets are not available soon enough after year-end to pay current period expenditures.

Collection on Long-Term Receivable		(299,197)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences	\$ 3,377	
Amortization of Bond Discounts	(11,751)	
Amortization of Bond Premium	5,823	
Net Decrease in Retainage Payable	14,037	
Net Decrease in Interest Payable	<u>5,769</u>	17,255

The net pension and OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension Liability	\$ (9,358)	
Decrease in Net OPEB Liability	192	
Decrease in Deferred Outflows of Resources Related to Pensions and OPEB	(15,185)	
Increase in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(5,589)</u>	(29,939)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable and special assessments receivable.

12,726

Change in Net Position of Governmental Activities \$ (7,121,428)

The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southeast Cass Water Resource District (District), West Fargo, North Dakota, a component unit of Cass County, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are no component units to be included within the District as a reporting entity. The District is a component unit within Cass County, North Dakota reporting entity.

B. Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the District's funds.

The District reports the following major governmental funds:

General Fund - this is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The obligated funds are used to account for the accumulation of resources set aside for the Maple River Dam Project, other WRD projects and certain Red River Joint WRD projects. This fund also is used to account for expenditures related to the Maple River Dam capital project.

Maintenance Fund - this fund is used to account for yearly maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Capital Project Fund – this fund is used to account for the resources accumulated and payments made for project costs related to construction projects.

Debt Service Fund – this fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year when all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on governmental long-term debt, claims and judgments, and compensated absences, which are reported as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

E. Capital Assets

Capital assets, which include land, equipment and infrastructure assets (drains, dams, channel improvements, etc.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets in governmental funds is not capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Asset Type	Years
Equipment	10 Years
Infrastructure Assets	
Facilities	50 years
Major Projects	50 years

F. Compensated Absences

Vested or accumulated vacation leave is payable upon separation from employment. 240 hours of vacation may be carried over at year-end. No liability is reported for accumulated sick leave as it is not the District's policy to pay for it when the employee separates from service. All vacation pay is accrued when incurred into the government-wide financial statements.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt

issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Fund Balances

Fund Balance Spending Policy. It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants and reimbursements).

Committed Fund Balances. Committed fund balances exists in the general function and is committed by the highest level of decision making authority (governing board).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

K. Net Position

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted federal and state grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

L. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: DISTRICT ESTABLISHMENT

The legislature of the state of North Dakota abolished, effective July 1, 1981, the Cass County Drain Board that had authority over the legal drains in Cass County. The administrative and financial responsibilities were transferred to individual water resource districts. Since there were special assessment districts established and legal drains constructed in and through more than one water resource district, it was determined that it would be too cumbersome and expensive to administer and account for the finances of the legal drains based on the portion or part of tracts of land contained in the individual districts. An agreement was entered into dated May 27, 1982 between the North Cass, Maple River, Rush River, and Southeast Cass Water Resource Districts to set out the administrative and financial responsibilities that each of the water resource districts shall exercise over certain overlapping legal drains as follows:

- Maple River shall have administrative and financial control over legal drains #14, 35 and 36.
- Rush River shall have administrative and financial control over legal drains #29 and 52.
- North Cass shall have administrative and financial control over legal drain #13 with the following exceptions:
 - (a) Any maintenance expenditure for a sum of \$5,000 or more shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource District.
 - (b) Any extension or additions to the drain shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource District.
 - (c) No change in the legal status of the drain shall be undertaken except with the consultation and expressed consent of the Rush River Water Resource District.

In the event of a termination, all funds deposited with the water resource district having administrative and financial control over legal drains shall be divided with respect to such legal drain among the water resource districts in whose district the special assessment district is located and shall be divided in such proportion as the physical area of the special assessment district located in each water resource district bears to the total area of such special assessment district.

NOTE 3: DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At year ended December 31, 2018, the District's carrying amount of deposits totaled \$17,943,174, and the bank balance was \$18,001,509. Of the bank balance, \$318,416 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

NOTE 4: PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance Jan 1	Increases	Decreases	Transfer	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 140,799,534	\$ 3,684,118	\$ 13,832,042	\$ -	\$ 130,651,610
Construction in Progress	14,687,350	2,983,779	-	(16,620,521)	1,050,608
Total Capital Assets Not Being Depreciated	\$ 155,486,884	\$ 6,667,896	\$ 13,832,042	\$ (16,620,521)	\$ 131,702,217
Capital Assets Being Depreciated					
Facilities	\$ 71,846,652	\$ -	\$ -	\$ 11,521,530	\$ 83,368,182
Projects	38,384,427	-	-	5,098,991	43,483,418
Equipment	241,135	-	-	-	241,135
Total Capital Assets, Being Depreciated	\$ 110,472,214	\$ -	\$ -	\$ 16,620,521	\$ 127,092,735
Less Accumulated Depreciation					
Facilities	\$ 28,605,940	\$ 1,436,933	\$ -	\$ -	\$ 30,042,873
Projects	7,172,893	767,689	-	-	7,940,582
Equipment	61,114	19,114	-	-	80,227
Total Accumulated Depreciation	\$ 35,839,947	\$ 2,223,735	\$ -	\$ -	\$ 38,063,682
Total Capital Assets Being Depreciated, Net	\$ 74,632,268	\$ (2,223,735)	\$ -	\$ 16,620,521	\$ 89,029,054
Total Capital Assets, Net	\$ 230,119,152	\$ 4,444,161	\$ 13,832,042	\$ -	\$ 220,731,271

Depreciation expense was charged to the conservation of natural resources function.

NOTE 6: LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities:

	Bal Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 3,615,000	\$ -	\$ 975,000	\$ 2,640,000	\$ 940,000
Bond Discount	(50,380)	-	(11,751)	(38,629)	(9,223)
Bond Premium	27,173	-	5,823	21,350	5,823
Loans Payable	679,000	-	69,000	610,000	55,000
Total Long-Term Debt	\$ 4,270,794	\$ -	\$ 1,038,072	\$ 3,232,721	\$ 991,600
Compensated Absences	\$ 19,745	\$ 12,032	\$ 15,409	\$ 16,369	\$ 16,369
Net Pension Liability	229,517	9,358	-	238,874	-
Net OPEB Liability	10,658	-	192	10,466	-
Total Long-Term Liabilities	\$ 4,530,714	\$ 21,390	\$ 1,053,673	\$ 3,498,431	\$ 1,007,969

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

The annual requirements to amortize debt outstanding as of December 31, 2018 are as follows:

Year Ending Dec 31	Special Assessment Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2019	\$ 940,000	\$ 45,850	\$ 55,000	\$ 15,250
2020	960,000	25,223	55,000	13,875
2021	740,000	7,400	55,000	12,500
2022	-	-	60,000	11,125
2023	-	-	60,000	9,625
2024 – 2028	-	-	250,000	25,125
2029 – 2033	-	-	75,000	3,750
TOTALS	\$ 2,640,000	\$ 78,473	\$ 610,000	\$ 91,250

NOTE 7: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of \$238,874 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the District's proportion was .014155 percent, which was a decrease of .000125 percent from its proportion measurement as of June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense of \$40,774. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 632	\$ 8,127
Changes of Assumptions	86,228	3,409
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	1,162
Changes in Proportion and Differences Between District		
Contributions and Proportionate Share of Contributions	13,276	7,415
District Contributions Subsequent to the Measurement Date	5,241	-
Total	\$ 105,377	\$ 20,113

\$5,241 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$	25,952
2020		22,770
2021		19,309
2022		11,496
2023		495
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Notes to the Financial Statements – Continued

assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
District's Proportionate Share of the Net Pension Liability	\$ 324,586	\$ 238,874	\$ 167,351

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 8: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member’s years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Notes to the Financial Statements – Continued

retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the District reported a liability of \$10,466 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the District's proportion was .013289 percent, which was a decrease of .000185% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized OPEB expense of \$1,278. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 313	\$ 216
Changes of Assumptions	859	-
Net Difference Between Projected and Actual Investment		
Employer Contributions Subsequent to the Measurement Date	-	225
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	66	178
District Contributions Subsequent to the Measurement Date	839	-
Total	\$ 2,076	\$ 619

\$839 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2019	\$ 71
2020	71
2021	71
2022	171
2023	153
2024	74
Thereafter	7

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net OPEB Liability	\$ 13,243	\$ 10,466	\$ 8,086

NOTE 9: JOINT VENTURES

Red River Joint Water Resource District

Under authorization of state statutes, the Southeast Cass Water Resource District joined North Cass Water Resource District, Rush River Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource District, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource District projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018, which is the most current audited information available:

Total Assets	\$ 11,751,625
Total Liabilities	48,695
Net Position	\$ 11,702,930
Revenues	\$ 2,421,328
Expenses	784,919
Change in Net Position	\$ 1,636,409

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

Metro Flood Diversion Authority

In June of 2011, the Cass County Joint Water Resource District, the City of Fargo, ND, City of Moorhead, MN, Clay County of MN, Cass County of ND, and the Buffalo Red River Watershed District entered into a joint powers agreement for the purpose of building and operating a flood diversion channel along the Red River of the North to reduce the flood risk of the stakeholder communities and counties. The Diversion Authority and its members worked with the United States Army Corps of Engineers on the FM Metro Flood Risk Management Feasibility Study to develop the flood diversion channel project plan.

This joint powers agreement will continue to be in full force and effect until it is terminated upon unanimous approval of the members to this Agreement. Additional information regarding the authority may be obtained by contacting: Flood Diversion Board of Authority, Box 2806, 211 Ninth Street South, Fargo, ND 58108.

NOTE 10: DEFICIT CASH FUND BALANCES

The District had the following deficit cash fund balances at December 31, 2018:

Funds	Amounts
Capital Project Fund	\$ (396,340)

The District anticipates eliminating the deficits by reducing future disbursements in these funds, by issuing debt or transferring monies to relieve the deficits.

NOTE 11: RISK MANAGEMENT

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

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District is covered under Cass County's insurance policies and pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of three million dollars per occurrence.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 12: CONSTRUCTION COMMITMENTS

The District has the following open construction contracts with balances owing at December 31, 2018:

Location	Project	Contract Amount	Total Completed	Retainage	Remaining Balance
S-M #2	Channel Improvements	\$ 948,400	\$ 344,709	\$ 34,471	\$ 638,162
Drain #10	Repairs at BNSF Crossing	113,582	99,433	5,679	19,828
	Total	\$ 1,061,982	\$ 444,142	\$ 40,150	\$ 657,990

NOTE 13: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

	Transfers In	Transfers Out
General Fund	\$ 5,992,835	\$ 5,218,000
Maintenance Fund	58,176	742,970
Capital Project Fund	57,017	-
Debt Service Fund	742,970	890,028
Total Transfers	\$ 6,850,998	\$ 6,850,998

Transfers are used to move unrestricted general revenue to finance programs that the District accounts for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2018, has been restated as follows for the correction of benefits payable and bond premium.

Beginning Net Position, as previously reported	\$ 243,133,839
Adjustments to restate January 1, 2018 Net Position	
Benefits Payable	269
Bond Premium	3,882
Net Position January 1, as restated	\$ 243,137,990

NOTE 15: SPECIAL ITEM - QUITCLAIM DEED

A quitclaim deed is a legal instrument that is used to transfer interest in real property. The entity transferring its interest is called the grantor, and when the quitclaim deed is properly completed and executed, it transfers any interest the grantor has in the property to a recipient, called the grantee. The District acted as the grantor, and the City of Fargo as the grantee. The District purchased land for in-town levees related to the flood diversion project. The cost of this land is reimbursed by, and then transferred to, the City of Fargo.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,014,450	\$ 2,014,450	\$ 2,094,304	\$ 79,854
Intergovernmental	737,045	7,202,045	4,607,936	(2,594,109)
Interest Income	9,000	9,000	80,822	71,822
Miscellaneous	30,100	30,100	459,423	429,323
Total Revenues	\$ 2,790,595	\$ 9,255,595	\$ 7,242,486	\$ (2,013,109)
EXPENDITURES				
Current				
Conservation of Natural Resources	\$ 2,790,595	\$ 7,299,915	\$ 6,049,478	\$ 1,250,437
Capital Outlay	-	-	192	(192)
Total Expenditures	\$ 2,790,595	\$ 7,299,915	\$ 6,049,670	\$ 1,250,245
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ 1,955,680	\$ 1,192,816	\$ (762,864)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 5,992,835	\$ 5,992,835
Transfers Out	(250,000)	(250,000)	(5,218,000)	(4,968,000)
Total Other Financing Sources (Uses)	\$ (250,000)	\$ (250,000)	\$ 774,835	\$ 1,024,835
Net Changes in Fund Balances	\$ (250,000)	\$ 1,705,680	\$ 1,967,651	\$ 261,971
Fund Balance - January 1	\$ 10,316,666	\$ 10,316,666	\$ 10,316,666	\$ -
Fund Balance - December 31	\$ 10,066,666	\$ 12,022,346	\$ 12,284,316	\$ 261,971

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Budgetary Comparison Schedule –Maintenance Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,932,380	\$ 3,991,195	\$ 4,300,885	\$ 309,690
Intergovernmental	-	-	44,069	44,069
Interest Income	-	-	59,465	59,465
Miscellaneous	-	-	86,357	86,357
Total Revenues	\$ 3,932,380	\$ 3,991,195	\$ 4,490,775	\$ 499,580
EXPENDITURES				
Current				
Conservation of Natural Resources	\$ 5,282,980	\$ 6,546,500	\$ 1,562,974	\$ 4,983,526
Capital Outlay	-	-	2,427,122	(2,427,122)
Total Expenditures	\$ 5,282,980	\$ 6,546,500	\$ 3,990,096	\$ 2,556,404
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,350,600)	\$ (2,555,305)	\$ 500,679	\$ 3,055,984
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 58,176	\$ 58,176
Transfers Out	-	-	(742,970)	(742,970)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (684,794)	\$ (684,794)
Net Changes in Fund Balances	\$ (1,350,600)	\$ (2,555,305)	\$ (184,115)	\$ 2,371,190
Fund Balance - January 1	\$ 6,896,093	\$ 6,973,224	\$ 5,395,064	\$ (1,578,160)
Fund Balance - December 31	\$ 5,545,493	\$ 4,417,919	\$ 5,210,949	\$ 793,030

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Schedule of District's Share of Net Pension Liability and District Contributions
 For the Year Ended December 31, 2018

**Schedule of District's Share of Net Pension Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years**

	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.014155%	\$ 238,874	\$ 145,412	164.27%	62.80%
2017	0.014279%	229,517	145,771	157.45%	61.98%
2016	0.011759%	114,601	118,501	96.71%	70.46%
2015	0.013532%	92,018	120,559	76.33%	77.15%
2014	0.014101%	89,500	118,779	75.35%	77.70%

**Schedule of District Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 10,710	\$ 10,250	\$ 460	\$ 145,412	7.05%
2017	10,570	11,144	(574)	145,771	7.64%
2016	8,579	9,190	(610)	118,501	7.75%
2015	9,157	8,992	165	120,559	7.46%
2014	8,457	8,457	-	118,779	7.12%

SOUTHEAST CASS WATER RESOURCE DISTRICT

Schedule of District's Share of Net OPEB Liability and District Contributions
 For the Year Ended December 31, 2018

**Schedule of District's Share of Net OPEB Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.013289%	\$ 10,466	\$ 145,412	7.20%	61.89%
2017	0.013474%	10,658	145,771	7.31%	59.78%

**Schedule of District Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 1,706	\$ 1,641	\$ 65	\$ 145,412	1.13%
2017	1,694	1,784	(90)	145,771	1.22%

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

- The District adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund, each special revenue fund and debt service fund of the district.
- The budget includes proposed expenditures and means of financing them.
- The District holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The District, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- The District must file the budget with the county auditor by October 10th.
- Each budget is controlled by the District secretary-treasurer at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The District managers amended the District budget for 2018 as follows:

Fund	REVENUES & TRANSFERS IN		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 2,790,595	\$ 6,465,000	\$ 9,255,595
Maintenance Fund	3,932,380	58,815	3,991,195
Capital Project Fund	-	5,038,000	5,038,000

Fund	EXPENDITURES & TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 3,040,595	\$ 4,509,320	\$ 7,549,915
Maintenance Fund	5,282,980	1,263,520	6,546,500
Capital Project Fund	-	3,919,603	3,919,603
Debt Service Fund	1,147,715	874,530	2,022,245

NOTE 3: SCHEDULE OF DISTRICT PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTE 4: PENSION AND OPEB - CHANGES OF ASSUMPTIONS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Schedule of Fund Activity - Cash Basis
For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-18
General Fund							
General Fund	\$ 5,934.88	\$ 10,473,335.68	\$ 392,341.57	\$ -	\$ 4,831,275.00	\$ 6,035,051.52	\$ 5,285.61
SE Cass WRD Obligated Funds	6,967,288.87	-	5,600,493.34	-	386,725.00	1,427.42	12,179,629.79
Total General Fund	\$ 6,973,223.75	\$ 10,473,335.68	\$ 5,992,834.91	\$ -	\$ 5,218,000.00	\$ 6,036,478.94	\$ 12,184,915.40
Maintenance Fund							
SMFCD #1 Maintenance	\$ (1,637,366.94)	\$ 522,256.09	\$ -	\$ -	\$ -	\$ 512,675.00	\$ (1,627,785.85)
SMFCD #2 Maintenance	158,584.43	405,439.93	-	-	-	205,681.18	358,343.18
Maple River Dam Maintenance	687,748.75	374,385.50	-	-	-	513,875.72	548,258.53
Drain #21M	1,322,398.85	231,485.94	-	-	423,500.00	10,570.05	1,119,814.74
Drain #21C	55,907.39	40,453.31	-	-	-	2,852.54	93,508.16
SC-1 (Drain #3M, #9M and #10M)	1,089,302.73	1,115,201.90	-	-	319,470.00	1,897,545.54	(12,510.91)
SC-2 (Drain #27M and #53M)	3,020,115.85	772,683.50	-	-	-	303,098.92	3,489,700.43
Drain #35M	(13,953.19)	22,517.72	-	-	-	2,803.98	5,760.55
Drain #40M	553,295.41	697,124.43	-	-	-	254,595.39	995,824.45
Drain #45M	422,288.22	254,986.72	-	-	-	46,197.44	631,077.50
Drain #47M	(75,948.43)	21,733.33	-	-	-	2,554.82	(56,769.92)
Drain #50M	(7,719.98)	5,989.63	-	-	-	1,135.11	(2,865.46)
Drain #51M	19,500.09	1,466.31	-	-	-	949.85	20,016.55
Country Acres Improvement 2001-6	21,560.93	1,266.89	-	-	-	-	22,827.82
Normanna Township Improve. No. 60	(23,134.30)	14,833.94	31,009.80	-	-	1,281.74	21,427.70
Holmen's Stormwater 2004-1	(7,484.28)	4,126.67	27,165.98	-	-	24,525.30	(716.93)
Harwood Township Improve No. 65	10,502.09	2,205.30	-	-	-	1,016.36	11,691.03
Total Maintenance Fund	\$ 5,595,597.62	\$ 4,488,157.11	\$ 58,175.78	\$ -	\$ 742,970.00	\$ 3,781,358.94	\$ 5,617,601.57
Capital Projects Fund							
Round Hill Sewer Imp. District No. 2010-1	\$ (1,477.28)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,477.28)
Bakke Sewer System	(13,539.90)	-	-	-	-	-	(13,539.90)
Normanna Twp. Imp. District No. 60 Const.	(40,000.00)	-	40,000.00	-	-	-	-
Kensington Place Sewer Project	(60.56)	-	60.56	-	-	-	-
Harwood Township Drain	(57,770.00)	-	11,176.40	-	-	-	(46,593.60)
Amber Plains Drainage Construction	(7,446.50)	-	-	-	-	-	(7,446.50)
Chrisan-Maple Prairie Flood Protection	(34,657.85)	-	-	-	-	-	(34,657.85)
Wild Rice River Estates Bank Stabilz Cons	(87,856.33)	-	5,780.00	-	-	-	(82,076.33)
Oxbow-Hickson-Bakke Ring Levee Constr.	(31,486.46)	998,872.09	-	-	-	731,130.68	236,254.95
Oxbow Country Club Construction	(632,322.99)	3,065,875.14	-	-	-	2,433,697.25	(145.10)
Lake Bertha Flood Control Project No 75	(204,737.93)	573,619.72	-	-	-	398,966.85	(30,085.06)
Raymond-Mapleton Twp Imp District No 76	(93,673.66)	13,692.38	-	-	-	1,281.70	(81,262.98)
Sheldon Subdivision Ring Levee Project	(13,282.50)	-	-	-	-	3,302.50	(16,585.00)
In-Town Levee Construction	(598,893.99)	631,384.29	-	-	-	351,215.73	(318,725.43)
Total Capital Project Fund	\$ (1,817,205.95)	\$ 5,283,443.62	\$ 57,016.96	\$ -	\$ -	\$ 3,919,594.71	\$ (396,340.08)
Debt Service Fund							
Eagle Run Principal & Interest	\$ 673,529.32	2,069.08	\$ -	\$ -	\$ 633,500.12	\$ 42,098.28	\$ -
Maple River Dam Principal & Interest	348,665.92	182,650.37	-	-	-	236,630.00	294,686.29
Holmen's Brink Principal & Interest	28,979.71	77.64	-	-	27,165.98	1,891.37	-
Maple Grove Principal & Interest	99,995.08	50,664.98	-	-	135,718.22	14,941.84	-
SMFCD #1 Principal & Interest	-	-	-	-	-	-	-
SMFCD #2 P & I	-	-	-	-	-	-	-
Drain #21 Principal & Interest	44.72	-	423,500.00	-	-	423,543.63	1.09
Drain #3 and #10 Principal & Interest	49.42	-	319,470.00	-	-	319,515.37	4.05
Normanna Twp Imp. Dist. P & I	62,773.29	10,317.02	-	-	71,009.80	2,080.51	-
St. Benedict Prin & Int	46,561.70	11,127.10	-	-	-	14,385.00	43,303.80
Kensington Place 2005-1	334.61	0.84	-	-	60.56	-	274.89
Bakke Subdivision Sewer Impr. #2005-2	50,515.41	46,859.41	-	-	-	45,350.00	52,024.82
Harwood Township Impr. P & I	16,133.31	13,556.55	-	-	13,411.67	-	16,278.19
Round Hill Sanitary Sewer P & I	120,998.29	34,008.66	-	-	-	29,600.00	125,406.95
Wild Rice River Estates Bank Stabilization	829.48	9,451.20	-	-	9,161.30	-	1,119.38
Refinanced Debt	-	-	-	-	-	-	-
Total Debt Service Fund	\$ 1,449,410.26	\$ 360,782.85	\$ 742,970.00	\$ -	\$ 890,027.65	\$ 1,130,036.00	\$ 533,099.46
Total Governmental Funds	\$ 12,201,025.68	\$ 20,605,719.26	\$ 6,850,997.65	\$ -	\$ 6,850,997.65	\$ 14,867,468.59	\$ 17,939,276.35

SOUTHEAST CASS WATER RESOURCE DISTRICT

Combining Balance Sheet - Maintenance Fund

For the Year Ended December 31, 2018

	SMFCD #1 Maint	SMFCD #2 Maint	MR Dam Maint	Drain #21M	Drain #21C	SC-1 (Dr 3,9 & 10)	SC-2 (Dr 27 & 53)
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 358,343	\$ 548,259	\$ 1,119,815	\$ 93,508	\$ -	\$ 1,789,051
Taxes Receivable	5,860	7,680	2,106	3,045	832	13,655	8,337
Due from County	1,137	1,092	832	770	-	1,754	1,544
Due from Other Funds	-	-	-	-	-	-	1,700,649
Total Assets	\$ 6,997	\$ 367,115	\$ 551,197	\$ 1,123,630	\$ 94,340	\$ 15,409	\$ 3,499,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 414,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	1,627,786	-	-	-	-	12,511	-
Total Liabilities	\$ 2,042,555	\$ -	\$ -	\$ -	\$ -	\$ 12,511	\$ -
Deferred Inflows of Resources							
Taxes Receivable	\$ 5,860	\$ 7,680	\$ 2,106	\$ 3,045	\$ 832	\$ 13,655	\$ 8,337
Total Liabilities and Deferred Inflows of Resources	\$ 2,048,416	\$ 7,680	\$ 2,106	\$ 3,045	\$ 832	\$ 26,166	\$ 8,337
Fund Balances							
Restricted	\$ -	\$ 359,435	\$ 549,091	\$ 1,120,585	\$ 93,508	\$ -	\$ 3,491,245
Unassigned	(2,041,418)	-	-	-	-	(10,757)	-
Total Fund Balances	\$ (2,041,418)	\$ 359,435	\$ 549,091	\$ 1,120,585	\$ 93,508	\$ (10,757)	\$ 3,491,245
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,997	\$ 367,115	\$ 551,197	\$ 1,123,630	\$ 94,340	\$ 15,409	\$ 3,499,582

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Combining Balance Sheet - Maintenance Fund - Continued

Drain #35M	Drain #40M	Drain #45M	Drain #47M	Drain #50M	Drain #51M	County Acres 2001-6	Normanna Twp. #60	Holmen's Storm- water	Harwood Twp. Impr. #65	Total Maintenance Fund
\$ 5,761	\$ 995,824	\$ 631,078	\$ -	\$ -	\$ 20,017	\$ 22,828	\$ 21,428	\$ -	\$ 11,691	\$ 5,617,602
-	7,575	1,004	-	1,108	-	-	16	7	-	51,227
(0)	826	122	29	8	-	-	3	-	-	8,117
-	-	-	-	-	-	-	-	-	-	1,700,649
\$ 5,761	\$ 1,004,226	\$ 632,204	\$ 29	\$ 1,116	\$ 20,017	\$ 22,828	\$ 21,447	\$ 7	\$ 11,691	\$ 7,377,595
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,770
-	-	-	56,770	2,865	-	-	-	717	-	1,700,649
\$ -	\$ -	\$ -	\$ 56,770	\$ 2,865	\$ -	\$ -	\$ -	\$ 717	\$ -	\$ 2,115,419
\$ -	\$ 7,575	\$ 1,004	\$ -	\$ 1,108	\$ -	\$ -	\$ 16	\$ 7	\$ -	\$ 51,227
\$ -	\$ 7,575	\$ 1,004	\$ 56,770	\$ 3,974	\$ -	\$ -	\$ 16	\$ 724	\$ -	\$ 2,166,646
\$ 5,761	\$ 996,650	\$ 631,199	\$ -	\$ -	\$ 20,017	\$ 22,828	\$ 21,431	\$ -	\$ 11,691	\$ 7,323,440
-	-	-	(56,741)	(2,858)	-	-	-	(717)	-	(2,112,491)
\$ 5,761	\$ 996,650	\$ 631,199	\$ (56,741)	\$ (2,858)	\$ 20,017	\$ 22,828	\$ 21,431	\$ (717)	\$ 11,691	\$ 5,210,949
\$ 5,761	\$ 1,004,226	\$ 632,204	\$ 29	\$ 1,116	\$ 20,017	\$ 22,828	\$ 21,447	\$ 7	\$ 11,691	\$ 7,377,595

SOUTHEAST CASS WATER RESOURCE DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Maintenance Fund
 For the Year Ended December 31, 2018

	SMFCD #1 Maint	SMFCD #2 Maint	MR Dam Maint	Drain #21M	Drain #21C	SC-1 (Dr 3,9 & 10)	SC-2 (Dr 27 & 53)
REVENUES							
Taxes	\$ 519,274	\$ 348,957	\$ 324,917	\$ 223,060	\$ 39,769	\$ 1,083,189	\$ 747,114
Intergovernmental	-	43,943	-	126	-	-	-
Interest Income	-	3,037	4,808	8,939	644	4,290	25,353
Miscellaneous	3,560	9,816	44,764	-	-	28,217	-
Total Revenues	\$ 522,834	\$ 405,753	\$ 374,488	\$ 232,125	\$ 40,413	\$ 1,115,696	\$ 772,467
EXPENDITURES							
Current							
Conservation of Natural Resources	\$ 873,569	\$ 194,356	\$ 289,892	\$ 10,530	\$ 2,737	\$ 71,510	\$ (10,129)
Capital Outlay	25,839	4,271	149,893	-	-	1,755,278	291,842
Total Expenditures	\$ 899,408	\$ 198,627	\$ 439,785	\$ 10,530	\$ 2,737	\$ 1,826,788	\$ 281,713
Excess (Deficiency) of Revenues Over Expenditures	\$ (376,574)	\$ 207,125	\$ (65,297)	\$ 221,595	\$ 37,675	\$ (711,092)	\$ 490,754
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	(423,500)	-	(319,470)	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ (423,500)	\$ -	\$ (319,470)	\$ -
Net Change in Fund Balances	\$ (376,574)	\$ 207,125	\$ (65,297)	\$ (201,905)	\$ 37,675	\$ (1,030,562)	\$ 490,754
Fund Balance - January 1	\$ (1,664,844)	\$ 152,310	\$ 614,388	\$ 1,322,490	\$ 55,833	\$ 1,019,805	\$ 3,000,490
Fund Balance - December 31	\$ (2,041,418)	\$ 359,435	\$ 549,091	\$ 1,120,585	\$ 93,508	\$ (10,757)	\$ 3,491,245

SOUTHEAST CASS WATER RESOURCE DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Maintenance Fund - Continued

Drain #35M	Drain #40M	Drain #45M	Drain #47M	Drain #50M	Drain #51M	County Acres 2001-6	Normanna Twp #60	Holmen's Stormwater	Harwood Twp. Impr. #65	Total Maintenance Fund
\$ 22,483	\$ 690,365	\$ 250,578	\$ 21,733	\$ 5,997	\$ 1,320	\$ 1,108	\$ 14,774	\$ 4,127	\$ 2,120	\$ 4,300,885
-	-	-	-	-	-	-	-	-	-	44,069
35	7,382	4,524	-	-	147	159	64	-	85	59,465
-	-	-	-	-	-	-	-	-	-	86,357
<u>\$ 22,518</u>	<u>\$ 697,747</u>	<u>\$ 255,102</u>	<u>\$ 21,733</u>	<u>\$ 5,997</u>	<u>\$ 1,466</u>	<u>\$ 1,267</u>	<u>\$ 14,837</u>	<u>\$ 4,127</u>	<u>\$ 2,205</u>	<u>\$ 4,490,775</u>
\$ 1,738	\$ 53,986	\$ 44,343	\$ 2,440	\$ 1,020	\$ 835	\$ -	\$ 1,167	\$ 24,225	\$ 754	\$ 1,562,974
-	200,000	-	-	-	-	-	-	-	-	2,427,122
<u>\$ 1,738</u>	<u>\$ 253,986</u>	<u>\$ 44,343</u>	<u>\$ 2,440</u>	<u>\$ 1,020</u>	<u>\$ 835</u>	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 24,225</u>	<u>\$ 754</u>	<u>\$ 3,990,096</u>
<u>\$ 20,780</u>	<u>\$ 443,761</u>	<u>\$ 210,759</u>	<u>\$ 19,294</u>	<u>\$ 4,977</u>	<u>\$ 632</u>	<u>\$ 1,267</u>	<u>\$ 13,671</u>	<u>\$ (20,099)</u>	<u>\$ 1,451</u>	<u>\$ 500,679</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,010	\$ 27,166	\$ -	\$ 58,176
-	-	-	-	-	-	-	-	-	-	(742,970)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,010</u>	<u>\$ 27,166</u>	<u>\$ -</u>	<u>\$ (684,794)</u>
<u>\$ 20,780</u>	<u>\$ 443,761</u>	<u>\$ 210,759</u>	<u>\$ 19,294</u>	<u>\$ 4,977</u>	<u>\$ 632</u>	<u>\$ 1,267</u>	<u>\$ 44,680</u>	<u>\$ 7,067</u>	<u>\$ 1,451</u>	<u>\$ (184,115)</u>
<u>\$ (15,019)</u>	<u>\$ 552,890</u>	<u>\$ 420,441</u>	<u>\$ (76,035)</u>	<u>\$ (7,835)</u>	<u>\$ 19,385</u>	<u>\$ 21,561</u>	<u>\$ (23,250)</u>	<u>\$ (7,784)</u>	<u>\$ 10,240</u>	<u>\$ 5,395,064</u>
<u>\$ 5,761</u>	<u>\$ 996,650</u>	<u>\$ 631,199</u>	<u>\$ (56,741)</u>	<u>\$ (2,858)</u>	<u>\$ 20,017</u>	<u>\$ 22,828</u>	<u>\$ 21,431</u>	<u>\$ (717)</u>	<u>\$ 11,691</u>	<u>\$ 5,210,949</u>

STATE AUDITOR

JOSHUA C. GALLION
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

**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***

Independent Auditor's Report

Governing Board
Southeast Cass Water Resource District
West Fargo, 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 the governmental activities and each major fund of Southeast Cass Water Resource District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Southeast Cass Water Resource District's basic financial statements, and have issued our report thereon dated June 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Cass Water Resource 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 Southeast Cass Water Resource District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Cass Water Resource 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 did identify a deficiency in internal control, described in the accompanying *schedule of audit findings* as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Cass Water Resource 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*.

SOUTHEAST CASS WATER RESOURCE DISTRICT

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* - Continued

Southeast Cass Water Resource District’s Response to Findings

Southeast Cass Water Resource District’s response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Southeast Cass Water Resource District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 4, 2019

SOUTHEAST CASS WATER RESOURCE DISTRICT

Summary of Auditor's Results
For the Year Ended December 31, 2018

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None Noted

SOUTHEAST CASS WATER RESOURCE DISTRICT

Schedule of Audit Findings

For the Year Ended December 31, 2018

REPEAT AUDIT FINDING

2018- 001 - LACK OF SEGREGATION OF DUTIES

Condition

Southeast Cass Water Resource District has one secretary-treasurer and one accountant responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Criteria

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the water resource district.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the water resource district's financial condition.

Cause

Management has chosen to allocate economic resources to other functions of the water resource district.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Views of Responsible Officials

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District.

STATE AUDITOR

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GOVERNANCE COMMUNICATION

Governing Board
Southeast Cass Water Resource District
West Fargo, North Dakota

We have audited the financial statements of the governmental activities and each major fund of the Southeast Cass Water Resource District, North Dakota, for the year ended December 31, 2018 which collectively comprise Southeast Cass Water Resource District's basic financial statements, and have issued our report thereon dated June 4, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated April 30, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Southeast Cass Water Resource District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Southeast Cass Water Resource District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Southeast Cass Water Resource District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 4, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Southeast Cass Water Resource District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing board and management of Southeast Cass Water Resource District, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Southeast Cass Water Resource District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Southeast Cass Water Resource District.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 4, 2019

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www.nd.gov/auditor

or by contacting the Office of the State Auditor at:

Email: ndsao@nd.gov

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