

AUDIT REPORT

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

For the Year Ended December 31, 2020

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

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MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

DISTRICT OFFICIALS

Lynn Oberg	President
Marshall Maxwell	Vice President
Gerard Govern	Secretary/Treasurer
Clifton Dockter	Board Member
Walter Lipp	Board Member
Darwin Saari	Board Member
Terry Strobel	Board Member
Ann Oberg	General Manager

Rath & Mehrer, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McLean-Sheridan Rural Water District
Turtle Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of the McLean-Sheridan Rural Water District, Turtle Lake, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 district'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 district'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 major fund of the McLean-Sheridan Rural Water District, Turtle Lake, North Dakota, as of December 31, 2020, and the respective changes in financial position and cash flows, where applicable, 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 on pages 4 through 9 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.

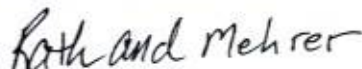
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 expenditures of federal awards 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 May 21, 2021 on our consideration of the district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the district's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 21, 2021

MCLEAN-SHERIDAN RURAL WATER DISTRICT

Management's Discussion and Analysis

December 31, 2020

The Management's Discussion and Analysis (MD&A) of the McLean-Sheridan Rural Water District's financial performance provides an overall review of the district's financial activities for the fiscal year ended December 31, 2020. 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 a new 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 required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2020 are as follows:

- * Total net position of the district increased \$3,638,063 as a result of the current year's operations.
- * Enterprise Fund net position totaled \$11,894,651.
- * Total revenues from all sources were \$5,285,583.
- * Total expenses were \$1,647,520.

USING THIS ANNUAL REPORT

This annual report presents the following two components of the financial statements:

1. Fund financial statements provide detailed information for the district's significant fund.
2. Notes to the financial statements provide additional information that is essential to understanding the fund statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The McLean-Sheridan Rural Water District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the district's significant fund. The district's fund is considered a proprietary fund.

Proprietary Funds - The McLean-Sheridan Rural Water District maintains one type of proprietary fund. Enterprise funds are used to report activities that charge for services it provides to outside customers. The district uses its enterprise fund to account for its water distribution system.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Table I provides a summary of the district's net position as of December 31, 2020. A comparative analysis of district-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the district's net position increased by \$3,638,063 for the year ended December 31, 2020. Changes in net position may serve over time as a useful indicator of the district's financial position.

As of December 31, 2020, the district's net position of \$11,894,651 is segregated into three separate categories. Net investment in capital assets represents 88% of the district's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 2% of the district's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 10% of the district's net position and is available to meet the district's ongoing obligations.

Table I
Net Position
As of December 31, 2020
(With comparative totals for December 31, 2019)

	2020	2019
<u>Assets</u>		
Current Assets	2,129,922	1,379,139
Capital Assets (net of accumulated depreciation)	16,401,964	10,380,621
Total Assets	18,531,886	11,759,760
<u>Liabilities</u>		
Current Liabilities	996,418	339,831
Long-Term Liabilities	5,640,817	3,163,342
Total Liabilities	6,637,235	3,503,173
<u>Net Position</u>		
Net Investment in Capital Assets		
Restricted	10,462,104	7,050,279
Unrestricted	283,072	214,305
Total Net Position	1,149,474	992,003
	11,894,651	8,256,587
	=====	=====

Table II shows the changes in net position for the fiscal year ended December 31, 2020. A comparative analysis of district-wide data is presented for both current and prior year.

Table II
Changes in Net Position
As of December 31, 2020
(With comparative totals for December 31, 2019)

	2020	2019
Revenues		
<u>Program Revenues:</u>		
Charges for Services	973,074	903,069
Operating Grants and Contributions	279,143	11,472
Capital Grants and Contributions	3,871,677	713,706
<u>General Revenues:</u>		
Interest Earnings and Other Revenue	145,622	16,736
Gain on Sale of Capital Assets	16,068	
Total Revenues	5,285,583	1,644,983
Expenses		
Enterprise	1,647,520	878,211
Net Change in Position	3,638,063	766,772

Operating grants and contributions constituted 5%, capital grants and contributions 73% and charges for services made up 18% of the total revenues of all activities of the district for the fiscal year ended December 31, 2020.

Enterprise services constituted 100% of total expenses for all activities during the fiscal year ended December 31, 2020.

CAPITAL ASSETS

As of December 31, 2020, the district had \$16,401,964 invested in capital assets. The following table shows the balance as of December 31, 2020.

Table III
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2020
(With comparative totals for December 31, 2019)

	2020	2019
Land	20,000	20,000
Construction in Progress	4,331,801	4,438,196
Buildings and Infrastructure	11,761,229	5,619,953
Vehicles	48,547	41,304
Other Assets	240,387	261,168
Total (net of depreciation)	16,401,964	10,380,621

This total represents an increase of \$6,021,343 in capital assets from January 1, 2020. This change includes the completion of the construction of a water tower, phase 1 of a water line expansion project and the acquisition of additional water lines. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2020, the district had \$5,939,860 in outstanding debt of which \$299,043 was due within one year. During fiscal year 2020, the district issued three new long-term debt obligations:

Revenue Bonds Payable in the amount of \$169,489. The water resource district issued the Water Revenue Bonds, Series 2018, original funding of \$1,074,000 to provide funding for a water tower project. These bonds will have a final payment on September 1, 2049.

Revenue Bonds Payable in the amount of \$1,107,029. The water resource district issued the Water Revenue Bonds, Series 2020, original funding of \$2,656,200 to provide funding for phase 1 of a water line expansion project. These bonds will have a final payment on September 1, 2050.

Revenue Bonds Payable in the amount of \$2,530,000. The water resource district issued the Water Revenue Refunding Bonds, Series 2020B to refinance the Water Revenue Refunding Bonds, Series 2014B and to provide funding for the acquisition of additional water lines. These bonds will have a final payment on September 1, 2050.

For a detailed breakdown of the long-term debt, readers are referred to Note 11 to the audited financial statements which follow this analysis.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Water sales for 2020 increased \$70,005 from the prior year. There was an increase of 66 additional accounts compared to 2019. The increase was due to additional hookups added through expansion and increased water usage. The rural water district's operating expenses for 2020 increased by \$286,107 compared to the totals for 2019. This was mainly due to an increase in depreciation expense of \$304,248 and employee salaries and benefits of \$15,062 being offset by a decrease in expenses for repairs and maintenance of \$60,674. Overall, the district reported an operating loss of \$96,983 compared to a operating income \$119,119 for the previous year.

Starting January 1, 2018, the district increased its minimum water charge from \$49 to \$59. This amount remains unchanged for 2020. Effective May 1, 2020, rates for bulk water sales were increased by \$.10, from \$3.80 to \$3.90 and the monthly minimum was increased by \$.30, from \$6.91 per thousand to \$7.21 per thousand. Expansion project users have a \$82 monthly minimum and are charged \$7.80 per thousand gallons of water. Users served by Riverdale water have a \$65 monthly minimum and are charged \$6.54 per thousand gallons of water. The district estimates total sales of \$1,253,900 for the year ending December 31, 2021.

System maintenance costs are expected to remain the same as in previous years. The district is committed to the repair and replacement of all major pumps, motors and variable drives as needed to keep the system in good working condition.

The McLean-Sheridan Rural Water District is working on an expansion of services to the Brush Lake/Blue Lake area north of the City of Mercer, located in McLean County. This expansion project has the potential of adding an additional 250 water users in future years and currently has about 135 new water users committed to use water with this project. The district is working with the North Dakota State Water Commission and has been approved for a total of \$1,435,000 in grant funding for this expansion project. During the year ending December 31, 2020, the district did not receive any additional grant funds. The district has received a total of \$1,306,301 of funding for this project since its commencement in 2013. The governing board has voted to approve a long-term loan of \$1,350,000 to finance the balance of the project and has been approved to receive this funding as part of the Drinking Water State Revolving Fund Program from the North Dakota Public Finance Authority. During the year, the district did not request any additional funding from the North Dakota Public Finance Authority. Since the inception of this project, the district has received a total of \$1,285,933 of the \$1,350,000 available. As of December 31, 2020, this project is completed and the district is working with the project contractors to repair any issues found in the construction.

The district has been approved by the North Dakota State Water Commission for the construction of a water tower. This project consists of the construction of a 400,000 gallon water tower near the City of Turtle Lake. The water district would use 240,000 gallons for storage so as to allow the system to provide additional water to other parts of the water system. The district is working with the North Dakota State Water Commission and has been approved for a total of \$2,378,450 in grant funding for this construction project. During the year ending December 31, 2020, the district received a total of \$569,667 in grant funds. The district has received a total of \$2,359,372 of funding for this project since its commencement in 2018. The governing board has voted to approve a long-term loan of \$1,074,000 to finance the balance of the project and has been approved to receive this funding as part of the Drinking Water State Revolving Fund Program from the North Dakota Public Finance Authority. During the year, the district requested \$169,489 in funds from the North Dakota Public Finance Authority. Since the inception of this project, the district has received a total of \$965,898 of the \$1,074,000 available. As of December 31, 2020, this project is completed and the fully funded amount of the loan was \$965,898. As part of the Drinking Water State Revolving Fund program, the water district received loan forgiveness of \$590,856. This will reduce the amount of principal that is required to be paid back from \$965,898 to \$375,043.

The McLean-Sheridan Rural Water District continues to look to expand its water system with the potential of adding an additional 150 water users. The district is currently collecting \$1,500 deposits for interested customers and has signed up approximately 113 users. The district's engineering firm has completed the design phase for this project, has put the project out for bids and has awarded the contracts. Phase 1 of this project will add an additional 85 users of the estimated 150 total users. The district has been awarded \$4,980,000 of grant funds from the State Water Commission. The governing board has voted to approve a long-term loan of \$2,656,000 to finance the balance of the project and has been approved to receive this funding as part of the Drinking Water State Revolving Fund Program from the North Dakota Public Finance Authority. Construction commenced in June 2020 and the water district has received \$3,302,010 in funding from the ND State Water Commission and has requested drawdowns of \$1,107,029 in funding through the Drinking Water State Revolving Fund. As of December 31, 2020, 51 of 94 phase 1 users have been added to the system and are being billed monthly. This project is approximately 45% completed.

The district purchased existing water pipelines and a booster station from North Prairie Regional Water District in December 2020. A purchase agreement for the amount of \$1,478,601 was signed on September 3, 2020. The district issued the Water Revenue Refunding Bonds, Series 2020B to finance the purchase and to refinance the Water Revenue Refunding Bonds, Series 2014B. The total amount of bonds issued were \$2,530,000.

The district's governing board will continue to review the operating budget and cash flow in 2021 to determine if the rates are adequate to maintain required levels of operating funds to make timely loan payments and replace worn or outdated equipment.

CONTACTING THE WATER RESOURCE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and creditors with a general overview of the water resource district's finances and to show the water resources district's accountability for the money it receives to provide the best possible services to the rural water users. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact the McLean-Sheridan Rural Water District, Turtle Lake, ND 58575.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Statement of Net Position
Proprietary Fund
December 31, 2020

	Enterprise Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	981,164.42
Investments	172,935.00
Accounts Receivable	76,420.18
Due from ND State Water Commission	323,553.97
Due from ND Department of Health	105,279.00
Due from City of Turtle Lake	470,569.00
Total Current Assets	2,129,921.57
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Land	20,000.00
Construction in Progress	4,331,801.00
Buildings and Infrastructure	11,761,229.00
Vehicles	48,547.00
Other Assets	240,387.00
Total Noncurrent Assets	16,401,964.00
Total Assets	18,531,885.57
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Payroll Taxes Payable	1,252.65
Accounts Payable	422,372.27
Expansion 2018 Deposits	273,750.00
Revenue Bonds Payable	299,043.00
Total Current Liabilities	996,417.92
<u>Noncurrent Liabilities:</u>	5,640,817.00
Revenue Bonds Payable	5,640,817.00
Total Liabilities	6,637,234.92
<u>NET POSITION</u>	
Net Investment in Capital Assets	10,462,104.00
Restricted for Debt Service	283,072.42
Unrestricted	1,149,474.23
Total Net Position	11,894,650.65

The accompanying notes are an integral part of these financial statements.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

For the Year Ended December 31, 2020

	Enterprise Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Sales	965,453.97
Late Fees	7,619.86
Total Operating Revenues	973,073.83
<u>Operating Expenses:</u>	
Governing Board	14,356.64
Salaries and Benefits	248,828.48
Workman's Compensation	2,077.63
Utilities	92,581.67
Chemicals	16,603.14
Supplies	2,791.99
Office Expense	17,096.93
Repairs and Maintenance	56,395.09
Vehicle Expense	29,051.00
Insurance	4,989.00
Professional Fees	17,847.47
Education and Training	576.57
Water Purchases	48,201.78
Advertising	2,802.06
Dues and Subscriptions	2,216.38
Other	4,214.06
Depreciation	509,427.00
Total Operating Expenses	1,070,056.89
Operating Income	(96,983.06)
<u>Non-Operating Revenues (Expenses):</u>	
ND State Water Commission	3,871,676.82
Agricultural Products Utilization Grant	27,120.00
Connection Fees	14,000.00
Falkirk Mine	229,901.91
Contribution from City of Turtle Lake	8,120.80
Interest/Dividend Income	7,582.35
Other Revenues	25,550.24
Gain on Sale of Capital Assets	16,068.00
Premium on Bonds Issued	112,489.05
Engineering Fees	(27,120.00)
Legal Fees	(6,358.75)
Water Line Relocation	(218,956.91)
Other Project Expenses	(92,820.14)
Interest Expense	(85,577.98)
Service Charges	(11,400.32)
Bond Issuance Fees	(82,098.71)
Bond Underwriters Discount	(53,130.00)
Total Non-Operating Revenues (Expenses)	3,735,046.36
Change in Net Position	3,638,063.30
Net Position - January 1	8,256,587.35
Net Position - December 31	11,894,650.65

The accompanying notes are an integral part of these financial statements.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	960,236.69
Payments to suppliers	(311,801.41)
Payments to employees	(250,756.66)
Net cash provided (used) by operating activities	397,678.62
<u>Cash flows from noncapital financing activities:</u>	
Agricultural Products Utilization grant	27,120.00
Connection fees	14,000.00
Contribution from City of Turtle Lake	8,120.80
Falkirk mine contribution	229,901.91
Other receipts	25,550.24
Falkirk mine line relocation	(218,956.91)
Engineering fees	(27,120.00)
Net cash provided (used) by noncapital financing activities	58,616.04
<u>Cash flows from capital and related financing activities:</u>	
ND State Water Commission	3,548,122.85
Sale of capital assets	22,000.00
Customer project deposits	104,100.00
DWSRF bonds issued	1,171,239.00
Revenue bonds issued	2,530,000.00
Premium on bonds issued	112,489.05
Bond underwriters discount	(53,130.00)
Legal fees	(6,358.75)
Other project costs	(92,819.87)
2018 expansion project	(3,970,847.00)
Water tower construction project	(697,937.00)
North Prairie infrastructure acquisition	(1,478,600.00)
Purchase of fixed assets	(31,206.00)
Principal payments	(1,197,000.00)
Interest expense	(85,577.98)
Service charges	(11,400.32)
Bond fees	(82,098.71)
Net cash provided (used) by capital and related financing activities	(219,024.73)
<u>Cash flows from investing activities:</u>	
Interest/dividend income	7,582.35
Net increase in cash and cash equivalents	244,852.28
Cash and cash equivalents, January 1	736,312.14
Cash and cash equivalents, December 31	981,164.42

(continued)

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020
(continued)

	<u>Enterprise Fund</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating income	(96,983.06)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	509,427.00
Net (increase) in accounts receivable	(12,837.14)
Net (decrease) in payroll taxes payable	(1,928.18)
Net cash provided (used) by operating activities	<u>397,678.62</u> =====

The accompanying notes are an integral part of these financial statements.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Notes to the Financial Statements
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the water resource district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government 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. Financial Reporting Entity

The accompanying financial statements present the activities of the water resource district. The water resource district has considered all potential component units for which the water resource district is financially accountable and other organizations for which the nature and significance of their relationships with the water resource district are such that exclusion would cause the district's financial statements to be misleading or incomplete. The Government 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 water resource 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 McLean-Sheridan Rural Water District as a reporting entity.

B. Basis of Presentation

Governments engaged only in a single business-type activity should present only the financial statements required for enterprise funds.

Fund Financial Statements: The fund financial statements provide information about the water resource district's fund. The emphasis of fund financial statements is on the major enterprise fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or ancillary activities.

The water resource district reports the following major enterprise fund:

Enterprise Fund. This fund accounts for the activities of the district's water distribution system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the district gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 three months or less.

Investments consist of certificates of deposit, stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Capital assets are defined by the water resource 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 is not capitalized.

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

Buildings and Infrastructure	6 to 80 years
Vehicles	5 years
Other Assets	5 to 20 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported as it is considered immaterial.

G. Long-Term Obligations

The long-term debt financed from the proprietary fund operations are accounted for in those funds.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 investments 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 any 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 other securities approved by the banking board.

At December 31, 2020 the water resource district's carrying amount of deposits was \$1,154,099 and the bank balance was \$1,185,845. Of the bank balance, \$515,491 was covered by Federal Depository Insurance. Of the remaining balance, \$600,066 was collateralized with securities held by the pledging financial institution's agent in the government's name and \$70,288, which are considered uncollateralized.

Credit Risk

The water resource district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2020 the water resource district held certificates of deposit in the amount of \$172,935, which are all considered deposits.

Concentration of Credit Risk

The water resource district does not have a limit on the amount the district may invest in any one issuer.

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from patrons for monthly water usage.

Note 4 DUE FROM ND STATE WATER COMMISSION

The amount due from the North Dakota State Water Commission consists of grant funding for a water tower construction project and the 2018 expansion project requested for the year ending December 31, 2020, but received subsequent to that date.

Note 5 DUE FROM ND DEPARTMENT OF HEALTH

The amount due from the North Dakota Department of Health consists of grant funding as part of the Drinking Water State Revolving Fund Program requested for a water tower construction project and the 2018 expansion project for the year ending December 31, 2020, but received subsequent to that date.

Note 6 DUE FROM THE CITY OF TURTLE LAKE

The amount due from the City of Turtle Lake consists of the city's share of construction loans obtained by the McLean-Sheridan Rural Water District to provide funding for a water tower construction project. The city has entered into an agreement with the water district to repay the city's proportionate share of principal and interest costs over the 30 year life of the loan, starting in 2019.

Note 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<i>Capital assets not being depreciated:</i>				
Land	20,000			20,000
Construction in Progress	4,438,196	5,026,896	5,133,291	4,331,801
Total	4,458,196	5,026,896	5,133,291	4,351,801
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	9,905,551	6,611,891	225,300	16,292,142
Vehicles	88,616	31,206	29,664	90,158
Other Assets	401,468			401,468
Total	10,395,635	6,643,097	254,964	16,783,768
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	4,285,598	470,615	225,300	4,530,913
Vehicles	47,312	18,031	23,732	41,611
Other Assets	140,300	20,781		161,081
Total	4,473,210	509,427	249,032	4,733,605
Total capital assets being depreciated, net	5,922,425	6,133,670	5,932	12,050,163
Total Capital Assets	10,380,621	11,160,566	5,139,223	16,401,964

Depreciation expense was charged to functions/programs of the water resource district as follows:

Enterprise Fund	509,427
	=====

Note 8 PAYROLL TAXES PAYABLE

Payroll taxes payable consist of amounts owed to federal and state agencies for taxes withheld from employee's salaries as of December 31, but not yet remitted.

Note 9 ACCOUNTS PAYABLE

Accounts payable consist of amounts owed for engineering services and construction costs related to the water district's water tower and 2018 expansion construction projects, incurred prior to December 31, 2020 but paid for subsequent to that date.

Note 10 EXPANSION 2018 DEPOSITS

Expansion 2018 deposits consist of amounts collected from potential customers who are interested in connecting to the McLean-Sheridan Rural Water District's water system as part of a proposed expansion project. The water resource district is required to refund project deposits if the proposed expansion project does not proceed.

Note 11 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2020, the following changes occurred in liabilities reported in the long-term debt of the enterprise fund:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds Payable	3,330,342	3,806,518	1,197,000	5,939,860	299,043
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2020 consists of the following:

Revenue Bonds. The water resource district has issued bonds whereby the district pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020 are as follows:

\$519,104 Rural Water System Revenue Bonds, due in annual installments of \$28,000 to \$32,000 through September 1, 2027; interest is at 2.5%.	211,000.00
\$2,530,000 Water Revenue Refunding Bonds, Series 2020B, due in annual installments of \$45,000 to \$180,000 through September 1, 2050; interest is at 2% to 3%.	2,530,000.00
Total Revenue Bonds	<u>2,741,000.00</u> =====

The annual requirements to amortize the outstanding revenue bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	193,000	50,006
2022	179,000	64,038
2023	175,000	58,813
2024	185,000	53,713
2025	191,000	48,313
2026-2030	698,000	161,138
2031-2035	240,000	107,513
2036-2040	265,000	82,513
2041-2045	290,000	54,788
2046-2050	325,000	22,313
Total	<u>2,741,000</u> =====	<u>703,143</u> =====

The water resource district also received funding as part of the Drinking Water State Revolving Fund Program, from the North Dakota Public Finance Authority. The water resource district currently has three separate projects ongoing that have not been completed as follows:

The water resource district is in the process of a water line construction project and issued revenue bonds in the amount of \$1,350,000. As of December 31, 2020, the district had requested drawdowns of \$1,285,933 and repaid principal of \$160,000. This project was not completed as of December 31, 2020 and a final debt repayment schedule is not yet available since the district has not received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2020 was \$1,125,933. The water resource district still has \$64,067 of funding available as of December 31, 2020.

The water resource district started the construction of a water tower and related infrastructure during 2018 and issued revenue bonds in the amount of \$1,074,000. As of December 31, 2020, the district had requested \$965,898. This project was completed as of December 31, 2020 with the fully funded amount being the \$965,898. A final debt repayment schedule reflecting this fully funded amount is not available since this project was closed out in early 2021 and the district received loan forgiveness of \$590,855 under the Drinking Water State Revolving Fund Program. A final debt repayment schedule has been received by the water district showing a final outstanding balance of \$375,043.

The water resource district has begun phase 1 of a water line expansion project and has issued revenue bonds in the amount of \$2,656,000. As of December 31, 2020, the district had requested drawdowns of \$1,107,029. This project is ongoing as of December 31, 2020 and a final debt repayment schedule is not yet available since the district has not received the full amount of funding under this agreement. The outstanding balance at December 31, 2020 was \$1,107,029. The water resource district still has \$1,548,971 of funding available as of December 31, 2020.

Note 12 RISK MANAGEMENT

The McLean-Sheridan Rural Water District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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 water resource district pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and \$2,000,000 for automobile.

The water resource district also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the water resource district with a blanket fidelity bond coverage in the amount of \$448,886 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The water resource district has worker's compensation with the Department of 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 13 PENSION PLAN

The water resource district provides benefits for all of its full-time employees through a defined contribution plan with Morgan Stanley. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The water resource district contributes 3% of the employee's gross salary for the year. During the year ended December 31, 2020, the water resource district contributed \$7,691.47.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor Pass-Through Grantor <u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>			
Passed Through the ND Public Finance Authority:			
Capitalization Grants for Drinking Water			
State Revolving Fund	66.468	2801400-03	169,489.00
	66.468	2801400-04	1,107,029.00
			<hr/>
Total Environmental Protection Agency			1,276,518.00 =====

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Outstanding Loan Balances</u>
Capitalization Grants for Drinking Water		
State Revolving Fund	66.468	3,409,860

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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

Board of Directors
McLean-Sheridan Rural Water District
Turtle Lake, North Dakota

We have audited, in accordance with the 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 major fund of the McLean-Sheridan Rural Water District, Turtle Lake, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated May 21, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the district'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002 and 2020-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The district's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The 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 district's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 21, 2021

Rath & Mehrer, P.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
McLean-Sheridan Rural Water District
Turtle Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the McLean-Sheridan Rural Water District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the district's major federal program for the year ended December 31, 2020. The district's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the district complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 21, 2021

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:
Major Fund

Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? Yes No

* Significant deficiency(ies) identified? Yes None Reported

Noncompliance Material to financial
statements noted? Yes No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified? Yes No

* Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on
compliance for major program(s):

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516 (a)?

Yes No

Identification of major program(s):

CFDA Number

Name of Federal Program

66.468

Capitalization Grants for Drinking Water
State Revolving Fund

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2020-001 Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The district has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The district does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The district is aware of the condition and segregates duties whenever possible.

Repeat Finding from Prior Year: Yes, prior year finding No. 2019-001

2. 2020-002 Financial Statement Preparation

Criteria: A good system of internal controls requires the district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the district must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The district's financial statements, including the accompanying note disclosures, are prepared by the district's external auditors.

Cause: The district feels it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

Views of Responsible Officials: The district will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Repeat Finding from Prior Year: Yes, prior year finding No. 2019-002

3. 2020-003 Pledge of Securities

Criteria: North Dakota Century Code #21-04-09 requires a security in the amount of one hundred ten dollars for every one hundred dollars of public deposits in excess of FDIC/NCUA insurance.

Condition: Deposits in excess of NCUA insurance coverage were not covered by a pledge of securities with the Dakota West Credit Union.

Cause: The general manager was aware the balance of accounts exceeded \$250,000 at the Dakota West Credit Union but had not considered the necessity of obtaining a pledge of securities to cover funds in excess of NCUA insurance.

Effect: The district had unsecured deposits of \$70,288.39 with the Dakota West Credit Union.

Recommendation: We recommend that management establish a policy to monitor the pledge of securities at each designated depository.

Views of Responsible Officials: The general manager has contacted the Dakota West Credit Union and has filed the necessary paperwork to obtain pledge of securities in excess of NCUA insurance.

Repeat Finding from Prior Year: No

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

1. Finding No. 2019-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-001.

Reasons for Recurrence and Corrective Action Plan: The district has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2019-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule Findings and Responses as No. 2020-002.

Reasons for Recurrence and Corrective Action Plan: The district feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

McLean-Sheridan Rural Water District

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MCLEAN-SHERIDAN RURAL WATER DISTRICT
Turtle Lake, North Dakota

Corrective Action Plan
For the Year Ended December 31, 2020

1. Finding No. 2020-001: Segregation of Duties

Contact Person: Ann Oberg, General Manager

Corrective Action Plan: The district has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: McLean-Sheridan Rural Water District will implement when it becomes cost effective.

2. Finding No. 2020-002: Financial Statement Preparation

Contact Person: Ann Oberg, General Manager

Corrective Action Plan: The district feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: McLean-Sheridan Rural Water District will implement when it becomes cost effective.

3. Finding No. 2020-003: Pledge of Securities

Contact Person: Ann Oberg, General Manager

Corrective Action Plan: The district will obtain pledges to cover deposits in excess of FDIC/NCUA insurance as required.

Completion Date: McLean-Sheridan Rural Water District has contacted Dakota West Credit Union and has submitted the required paperwork to obtain pledges.