



Financial Statements
December 31, 2017

Garrison Diversion Conservancy District

Garrison Diversion Conservancy District

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December 31, 2017

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Garrison Diversion Conservancy District
Board of Directors by County (Unaudited)
December 31, 2017

County	Name	Address	Term Expires	
			2018	2020
Barnes	Bischoff, Greg	1290 N Central Ave Valley City, ND 58072		12-31
Benson	Johnson, David B.	5880 42nd St NE Minnewaukan 58351	12-31	
Bottineau	Rogers, Kenny	8874 18th Avenue NW Maxbass 58760		12-31
Burleigh	Royse, Ken	3501 Winnipeg Drive Bismarck 58503		12-31
Cass	Fenstad, Roger	3415 46th Ave S Fargo, 58104	12-31	
Dickey	Haak, Norman	9191 Hwy 1 Oakes 58474-9110		12-31
Eddy	Tweed, Michael	2693 94th Ave NE Tolna 58380		12-31
Foster	Metzger, Steve	140 Second Avenue North Carrington 58421		12-31
Grand Forks	Vein, Ken	1200 S Columbia Road Grand Forks 58206-6002		12-31
Griggs	Boote, Nikke	10281 County Rd 5 Binford 58416		12-31
LaMoure	Klein, Bruce	9944 76th St SE LaMoure 58458		12-31
McHenry	Hanretty, Cliff	847 68th Drive NE Towner 58788	12-31	
McKenzie	Cayko, Richard	3691 158th Avenue NW Fairview, MT 59221		12-31
McLean	Anderson, Rick	980 26th Avenue NW Coleharbor 58531-9479	12-31	

Garrison Diversion Conservancy District
Board of Directors by County (Unaudited)
December 31, 2017

County	Name	Address	Term Expires	
			2018	2020
Nelson	Marquart, Nancy	206 5th St E Lakota, ND 58344		12-31
Pierce	Anderson, Dave	6590 30th Ave NE Rugby 58368	12-31	
Ramsey	Peyerl, John	7120 55th Street NE Penn 58362	12-31	
Ransom	Anderson, Jay	6357 Hwy 32 Lisbon 58054		12-31
Renville	Cook, Mark	10220 56th Ave NW Kenmare 58746	12-31	
Richland	Klosterman, Kelly	7825 County Road 1 Mooreton 58061	12-31	
Sargent	Breker, Jeffrey	10066 141st Avenue SE Havana 58043		12-31
Sheridan	Pellman, Jim	PO Box 314 McClusky, ND 58463		12-31
Steele	Krueger, Brandon	12663 6th St SE Hope, ND 58046		12-31
Stutsman	Kaiser, Geneva	1712 8th Ave NW Jamestown 58401	12-31	
Traill	Krivarchka, Dr. Bill	40 Westwood Drive Mayville 58257	12-31	
Ward	Walter, Alan	805 Bavaria Drive Minot 58703	12-31	
Wells	Ongstad, Bill	4135 25th Street NE Harvey 58341	12-31	
Williams	Koeser, E. Ward	1306 4th Avenue East Williston 58801		12-31



Independent Auditor's Report

Board of Directors
Garrison Diversion Conservancy District
Carrington, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Garrison Diversion Conservancy District as of and for the year ended December 31, 2017, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 – modified cash basis of the governmental activities and each major fund of Garrison Diversion Conservancy District as of December 31, 2017, and the respective changes in financial position – modified cash basis, and the respective budgetary comparison – modified cash basis for the General Fund, Operations, Maintenance and Replacement Fund, Municipal, Rural and Industrial Fund, Red River Valley Water Supply Fund, and Irrigation Fund for the year then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise Garrison Diversion Conservancy District, Carrington, North Dakota's, financial statements. The listing of Board of Directors by county, schedule of taxes received – modified cash basis, schedule of expenditures compared to budget – modified cash basis, schedule of employer's share of net pension liability, and schedule of employer contributions are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards – modified cash basis is presented for purposes of additional analysis as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of taxes received – modified cash basis, expenditures compared to budget – modified cash basis, schedule of employer's share of net pension liability, schedule of employer contributions, and the schedule of expenditures of federal awards – modified cash basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taxes received – modified cash basis, expenditures compared to budget – modified cash basis, schedule of employer's share of net pension liability, schedule of employer contributions, and schedule of expenditures of federal awards – modified cash basis are fairly stated in all material respects in relation to the financial statements as a whole.

The listing of Board of Directors by County has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
May 15, 2018

Garrison Diversion Conservancy District
Statement of Net Position – Modified Cash Basis
December 31, 2017

	<u>Primary Government Governmental Activities</u>
Assets	
Cash	\$ 9,952,026
Certificates of deposit	4,001,198
Capital assets not being depreciated	
Land	143,667
Construction in progress	7,948,567
Capital assets, net of accumulated depreciation	
Land improvements	300,372
Buildings	788,038
Equipment	4,713,014
Pumping equipment	1,027,663
Intake equipment	188,709
Pipeline	2,304,519
Total assets	<u>31,367,773</u>
Liabilities	
Long-term liabilities:	
Portion due within one year	
Bond payable	97,578
Notes payable	19,541
Portion due after one year	
Bond payable	832,618
Notes payable	164,931
Total liabilities	<u>1,114,668</u>
Net Position	
Net investment in capital assets	16,299,881
Restricted	
Operations and maintenance emergency	822,818
Deficiency	802,288
Project development	915,593
Red River Valley Water Supply	974,079
Unrestricted	<u>10,438,446</u>
Total net position	<u>\$ 30,253,105</u>

Garrison Diversion Conservancy District
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2017

	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Expenses				
Administration	\$ 2,526,713	\$ -	\$ 19,616	\$ 28,590
Municipal, rural, and industrial	6,651,135	-	6,674,750	-
Operations, maintenance, and replacement	3,557,679	256,201	3,374,340	4,399,878
Red River Valley water supply	1,320,688	-	1,287,526	6,837,692
Irrigation	536,357	-	311,842	463,860
Total governmental activities	<u>\$ 14,592,572</u>	<u>\$ 256,201</u>	<u>\$ 11,668,074</u>	<u>\$ 11,730,020</u>
General Revenues				
Taxes				3,575,363
Interest on investments				40,005
Leases				2,303
Miscellaneous				155
Total general revenues				<u>3,617,826</u>
Change in Net Position				<u>12,679,549</u>
Net Position, Beginning of Year				<u>17,573,557</u>
Net Position, End of Year				<u>\$ 30,253,105</u>

Garrison Diversion Conservancy District
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2017

	General Fund (Administrative)	Municipal, Rural and Industrial Working Fund	Operations, Maintenance and Replacement Fund	Red River Valley Water Supply Fund	Irrigation Fund	Total
Assets						
Cash	\$ 8,247,034	\$ 3,885	\$ 326,650	\$ 974,079	\$ 400,378	\$ 9,952,026
Certificates of deposit	4,001,198	-	-	-	-	4,001,198
Due from other funds	940,778	-	-	-	-	940,778
Total assets	\$ 13,189,010	\$ 3,885	\$ 326,650	\$ 974,079	\$ 400,378	\$ 14,894,002
Liabilities and Fund Balance						
Liabilities						
Due to other funds	\$ -	\$ -	\$ 200,000	\$ -	\$ 740,778	\$ 940,778
Total liabilities	-	-	200,000	-	740,778	940,778
Fund Balance						
Restricted						
Deficiency	802,288	-	-	-	-	802,288
Operations and maintenance emergency	822,818	-	-	-	-	822,818
Red River Valley Water Supply	-	-	-	974,079	-	974,079
Project development	915,593	-	-	-	-	915,593
Committed						
Operating reserve	3,596,449	-	-	-	-	3,596,449
Assigned						
Municipal, rural and industrial working	-	3,885	-	-	-	3,885
Operations, maintenance and replacement	-	-	126,650	-	-	126,650
Unassigned	7,051,862	-	-	-	(340,400)	6,711,462
Total fund balance	13,189,010	3,885	126,650	974,079	(340,400)	13,953,224
Total liabilities and fund balance	\$ 13,189,010	\$ 3,885	\$ 326,650	\$ 974,079	\$ 400,378	\$ 14,894,002

Garrison Diversion Conservancy District

Reconciliation of the Governmental Funds Balance Sheet – Modified Cash Basis to the Statement of Net Position
 – Modified Cash Basis
 December 31, 2017

Total fund balances for governmental funds \$ 13,953,224

Total net position reported for governmental activities
 in the statement of net position is different because

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds.

Those assets consist of

Land	143,667
Construction in Progress	7,948,567
Land improvements, net of accumulated depreciation	300,372
Buildings, net of accumulated depreciation	788,038
Equipment, net of accumulated depreciation	4,713,014
Pumping Equipment, net of accumulated depreciation	1,027,663
Intake Equipment, net of accumulated depreciation	188,709
Pipeline, net of accumulated depreciation	2,304,519

Long-term liabilities applicable to the District's governmental
 activities are not reported as fund liabilities. Long-term
 liabilities are reported in the statement of net position.

The long-term liabilities are as follows

Bond Payable	(930,196)
Notes Payable	(184,472)

Total net position of governmental activities \$ 30,253,105

Garrison Diversion Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds
Year Ended December 31, 2017

	General Fund (Administrative)	Municipal, Rural and Industrial Working Fund	Operations, Maintenance and Replacement Fund	Red River Valley Water Supply	Irrigation Fund	Total
Revenues						
Taxes	\$ 3,575,363	\$ -	\$ -	\$ -	\$ -	\$ 3,575,363
Interest on investments	38,965	27	152	161	700	40,005
Non-project income	-	-	256,201	-	-	256,201
Program income	-	-	6,303	-	-	6,303
Contract revenue	48,206	6,674,750	-	8,125,218	775,702	15,623,876
Bureau of Reclamation	-	-	7,767,915	-	-	7,767,915
Leases	2,303	-	-	-	-	2,303
Miscellaneous	130	-	-	-	25	155
Total revenues	<u>3,664,967</u>	<u>6,674,777</u>	<u>8,030,571</u>	<u>8,125,379</u>	<u>776,427</u>	<u>27,272,121</u>
Expenditures						
Current						
Directors	223,614	-	-	-	-	223,614
Personnel	798,379	91,318	1,857,261	143,376	-	2,890,334
Contractual services	484,333	6,559,817	-	-	255,463	7,299,613
Irrigation development	348,568	-	-	-	-	348,568
Maintenance	47,559	-	492,163	-	-	539,722
Engineering and survey	-	-	212,651	-	-	212,651
GDCD recreation grant program	331,837	-	-	-	-	331,837
DWRA recreation program	3,546	-	-	-	-	3,546
Other charges	250,731	-	421,943	1,177,312	-	1,849,986
Capital outlay	28,590	-	4,399,878	6,837,692	463,860	11,730,020
Debt service						
Principal	-	-	-	-	110,900	110,900
Interest and fiscal charges	-	-	-	-	58,976	58,976
Total expenditures	<u>2,517,157</u>	<u>6,651,135</u>	<u>7,383,896</u>	<u>8,158,380</u>	<u>889,199</u>	<u>25,599,767</u>
Revenues over (under) expenditures	<u>1,147,810</u>	<u>23,642</u>	<u>646,675</u>	<u>(33,001)</u>	<u>(112,772)</u>	<u>1,672,354</u>
Other Financing Sources (Uses)						
Transfers in	672,568	-	-	-	-	672,568
Transfers out	-	(23,615)	(628,558)	(20,395)	-	(672,568)
Total other financing sources (uses)	<u>672,568</u>	<u>(23,615)</u>	<u>(628,558)</u>	<u>(20,395)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>1,820,378</u>	<u>27</u>	<u>18,117</u>	<u>(53,396)</u>	<u>(112,772)</u>	<u>1,672,354</u>
Fund Balances (Deficit), Beginning of Year	<u>11,368,632</u>	<u>3,858</u>	<u>108,533</u>	<u>1,027,475</u>	<u>(227,628)</u>	<u>12,280,870</u>
Fund Balances (Deficit), End of Year	<u>\$ 13,189,010</u>	<u>\$ 3,885</u>	<u>\$ 126,650</u>	<u>\$ 974,079</u>	<u>\$ (340,400)</u>	<u>\$ 13,953,224</u>

Garrison Diversion Conservancy District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis
of Governmental Funds to the Statement of Activities – Modified Cash Basis
Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 1,672,354

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. In the current period,
these amounts are:

Capital outlay	\$ 11,730,020	
Depreciation expense	<u>(833,725)</u>	
Excess of capital outlay over depreciation expense		10,896,295

The proceeds of debt issuances are reported as financing sources
in governmental funds and thus contribute to the change in fund
balance. In the statement of net position, issuing debt increases
long-term liabilities and does not affect the statement of activities.
Repayment of long-term debt principal is an expenditure in
the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position. In the current
period, these amounts are:

Debt repayment	<u>110,900</u>
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Changes in net position of governmental activities \$ 12,679,549

Garrison Diversion Conservancy District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual
– General Fund (Administrative)
Year Ended December 31, 2017

	Budgeted Amounts		2017 Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes levied by counties	\$ 2,942,500	\$ 3,575,363	\$ 3,575,363	\$ -
Interest on investments	10,000	38,965	38,965	-
Contract revenue	5,000	48,206	48,206	-
Leases	500	2,303	2,303	-
Miscellaneous	500	130	130	-
Total revenues	2,958,500	3,664,967	3,664,967	-
Expenditures				
Current				
Directors	220,000	223,614	223,614	-
Personnel services	1,339,707	1,336,093	798,379	537,714
Contractual services	679,000	679,000	484,333	194,667
Irrigation development	464,875	464,875	348,568	116,307
Maintenance	68,000	68,000	47,559	20,441
GDCD recreation grant program	350,000	350,000	331,837	18,163
DWRA recreation program	10,000	10,000	3,546	6,454
Other charges	324,000	324,000	250,731	73,269
Irrigation districts	24,900	24,900	-	24,900
Capital outlay	85,000	85,000	28,590	56,410
Total expenditures	3,565,482	3,565,482	2,517,157	1,048,325
Revenues over (under) expenditures	(606,982)	99,485	1,147,810	1,048,325
Other Financing Sources				
Transfers in	775,000	672,568	672,568	-
Total other financing sources	775,000	672,568	672,568	-
Net Change in Fund Balance	168,018	772,053	1,820,378	1,048,325
Fund Balance, Beginning of Year	11,368,632	11,368,632	11,368,632	-
Fund Balance, End of Year	\$ 11,536,650	\$ 12,140,685	\$ 13,189,010	\$ 1,048,325

Garrison Diversion Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual
– Major Special Revenue Funds
Year Ended December 31, 2017

Municipal, Rural and Industrial Fund

	Budgeted Amounts		2017 Actual	Variance with Final Budget
	Original	Final		
Revenues				
Contract income	\$ 7,220,000	\$ 6,674,750	\$ 6,674,750	\$ -
Interest on investments	-	27	27	-
Total revenues	<u>7,220,000</u>	<u>6,674,777</u>	<u>6,674,777</u>	<u>-</u>
Expenditures				
Personnel Services	-	91,318	91,318	-
Contractual services	7,220,000	7,105,067	6,559,817	545,250
Total expenditures	<u>7,220,000</u>	<u>7,196,385</u>	<u>6,651,135</u>	<u>545,250</u>
Revenues over (under) expenditures	<u>-</u>	<u>(521,608)</u>	<u>23,642</u>	<u>545,250</u>
Other Financing Uses				
Transfers out	-	(23,615)	(23,615)	-
Net Change in Fund Balance	<u>-</u>	<u>(545,223)</u>	<u>27</u>	<u>545,250</u>
Fund Balance, Beginning of Year	<u>3,858</u>	<u>3,858</u>	<u>3,858</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ 3,858</u>	<u>\$ (541,365)</u>	<u>\$ 3,885</u>	<u>\$ 545,250</u>

Garrison Diversion Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual
– Major Special Revenue Funds
Year Ended December 31, 2017

Operations, Maintenance and Replacement Fund

	Budgeted Amounts		2017 Actual	Variance with Final Budget
	Original	Final		
Revenues				
Interest on investments	\$ -	\$ 152	\$ 152	\$ -
Non-project income	500,000	256,201	256,201	-
Program income	5,000	6,303	6,303	-
Bureau of Reclamation	3,951,117	7,767,915	7,767,915	-
Miscellaneous	-	-	-	-
Total revenues	<u>4,456,117</u>	<u>8,030,571</u>	<u>8,030,571</u>	<u>-</u>
Expenditures				
Personnel	2,190,283	2,025,283	1,857,261	168,022
Maintenance	542,538	502,261	492,163	10,098
Engineering and survey	51,000	225,000	212,651	12,349
Other charges	601,256	524,041	421,943	102,098
Capital outlay	396,040	4,409,532	4,399,878	9,654
Total expenditures	<u>3,781,117</u>	<u>7,686,117</u>	<u>7,383,896</u>	<u>302,221</u>
Revenues over expenditures	<u>675,000</u>	<u>344,454</u>	<u>646,675</u>	<u>302,221</u>
Other Financing Uses				
Transfers out	<u>(675,000)</u>	<u>(675,000)</u>	<u>(628,558)</u>	<u>46,442</u>
Net Change in Fund Balance	<u>-</u>	<u>(330,546)</u>	<u>18,117</u>	<u>348,663</u>
Fund Balance, Beginning of Year	<u>108,533</u>	<u>108,533</u>	<u>108,533</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 108,533</u>	<u>\$ (222,013)</u>	<u>\$ 126,650</u>	<u>\$ 348,663</u>

Garrison Diversion Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual
– Major Special Revenue Funds
Year Ended December 31, 2017

Red River Valley Water Supply Fund

	Budgeted Amounts		2017 Actual	Variance with Final Budget
	Original	Final		
Revenues				
Contract revenue	\$ 11,020,000	\$ 8,125,218	\$ 8,125,218	\$ -
Interest on investments	-	161	161	-
Total revenues	<u>11,020,000</u>	<u>8,125,379</u>	<u>8,125,379</u>	<u>-</u>
Expenditures				
Personnel		143,376	143,376	
Contractual services	11,020,000	10,856,229	8,015,004	2,841,225
Total expenditures	<u>11,020,000</u>	<u>10,999,605</u>	<u>8,158,380</u>	<u>2,841,225</u>
Revenues under expenditures	-	(2,874,226)	(33,001)	2,841,225
Other Financing Uses				
Transfers out	-	(20,395)	(20,395)	-
Total other financing uses	<u>-</u>	<u>(20,395)</u>	<u>(20,395)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(2,894,621)</u>	<u>(53,396)</u>	<u>2,841,225</u>
Fund Balance, Beginning of Year	<u>1,027,475</u>	<u>1,027,475</u>	<u>1,027,475</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ 1,027,475</u>	<u>\$ (1,867,146)</u>	<u>\$ 974,079</u>	<u>\$ 2,841,225</u>

Garrison Diversion Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual
– Major Special Revenue Funds
December 31, 2017

Irrigation Fund

	<u>Budgeted Amounts</u>		<u>2017 Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest on investments	\$ -	\$ 700	\$ 700	\$ -
Miscellaneous income	-	25	25	-
Contract income	1,150,000	775,702	775,702	-
Total revenues	<u>1,150,000</u>	<u>776,427</u>	<u>776,427</u>	<u>-</u>
Expenditures				
Contractual services	650,000	480,124	255,463	224,661
Capital outlay	500,000	500,000	463,860	36,140
Debt service				
Principal	-	110,900	110,900	-
Interest	-	58,976	58,976	-
Total expenditures	<u>1,150,000</u>	<u>1,150,000</u>	<u>889,199</u>	<u>260,801</u>
Revenues over (under) expenditures	<u>-</u>	<u>(373,573)</u>	<u>(112,772)</u>	<u>260,801</u>
Net Change in Fund Balance	<u>-</u>	<u>(373,573)</u>	<u>(112,772)</u>	<u>260,801</u>
Fund (Deficit) Balance, Beginning of Year	<u>(227,628)</u>	<u>(227,628)</u>	<u>(227,628)</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u><u>\$ (227,628)</u></u>	<u><u>\$ (601,201)</u></u>	<u><u>\$ (340,400)</u></u>	<u><u>\$ 260,801</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

Principal Activity

Garrison Diversion Conservancy District is a governmental entity created pursuant to North Dakota Century Code Chapter 61-24. The District aids and promotes the construction, maintenance and operation of the Garrison Diversion Unit of the Missouri River Basin Project.

Government-Wide and Fund Financial Statements

Government-Wide Statements

The statement of net position displays information on the financial activities of the District. Reporting of the internal activities has been eliminated to avoid duplication on the statements. The statements show the governmental activities, which are normally financed through taxes and intergovernmental revenues.

The statement of activities compares the direct expenses and program revenues for the governmental activities of the District. Direct expenses are clearly identifiable with a specific function. Program revenues consist of operating grants and contributions. General revenues, including taxes, are those revenues that are not classified as program revenue.

Fund Financial Statements

The fund financial statements provide detailed information for governmental funds. The fund statement's emphasis is on major governmental funds. All of the District's governmental funds are reported as major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable and accrued expenses are not included in the financial statements.

Only capital assets and long-term debt recorded under the basis of accounting described above are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable and accrued expenses are not included in the financial statements. Only current assets and current liabilities, other than those excluded previously, are recorded under the basis of accounting described above on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Reporting Entity

The Garrison Diversion Conservancy District has included all funds and has considered all potential component units for which the District is financially accountable, and other organizations for which the nature and significance of their relationship with the District are 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 Garrison Diversion Conservancy 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. Garrison Diversion Conservancy District has no component units.

The District reports the following major governmental funds:

General Fund (Administrative)

Accounts for all financial transactions not properly accounted for in another fund. Included in this fund are all general district transactions.

Municipal, Rural and Industrial Working Fund

Accounts for all financial transactions that provide for the planning, design, and construction of municipal, rural, and industrial water systems.

Operations, Maintenance and Replacement Fund

Accounts for all financial transactions that provide for the operation, maintenance, and replacement functions of the Garrison Diversion Unit.

Red River Valley Water Supply Project Fund

Accounts for all financial transactions that provide for municipal, rural, and industrial water, fish, wildlife, and other natural resource conservation and development, recreation, augmented stream flows, and ground water recharge in the Red River Valley.

Irrigation Fund

Accounts for all financial transactions related to the right-of-way acquisition, design, construction, operation and maintenance of irrigation facilities using water from the McClusky Canal (the "Canal"), including pumps, pipelines, intakes and power supply and control system components between the Canal and each irrigator's property line.

The District follows the pronouncements of the Governmental Accounting Standards Board (GASB), to the extent that the pronouncements apply to the modified cash basis of accounting.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The general manager, administrative officer, district engineer, and communications director prepare the District budget. The budget includes proposed expenditures and the means of financing them. The budget includes the General Fund, Operations, Maintenance and Replacement Fund, Municipal, Rural and Industrial Fund, the Red River Valley Water Supply Project Fund, and the Irrigation Fund of the special revenue funds.
2. The District Board reviews the budget, may make revisions and approves it on or before July 31. The budget must be filed with the county auditor of each county in the District no later than October 1.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 1.
4. The balance of each appropriation becomes a part of the unappropriated balance at year end.

Budgets are adopted on a basis consistent with the cash basis described above. Annual appropriated budgets are adopted for the general, Red River valley water supply, the operations, maintenance and replacement, the municipal, rural and industrial, and the irrigation funds. All annual appropriations lapse at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Cash and Certificates of Deposit

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity date within three months of the date acquired by the District. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

State statutes authorize the District to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above; c) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state; d) Obligations of the state. Certificates of deposit are stated at cost.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of two years. Capital assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Facility Improvements	9 years
Buildings	40 years
Equipment	5 years
Pumping equipment	7-20 years
Intake structure	15 years
Pipeline	30 years

The District also maintains an operation and maintenance fund balance designation available for the purpose of emergency repairs and extraordinary maintenance of the water supply and distribution works, including the replacement or purchase of major facilities and equipment.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Board or through the District Board delegating this responsibility to the General Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment.

- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's 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. The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions are not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 9, is shown as additional information to the users of the financial statements.

Note 2 - Legal Compliance

Deficit Fund Balances

At December 31, 2017, the following fund had a deficit balance:

Irrigation	\$ (340,400)
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The Irrigation fund deficit will be eliminated by future project collections from contracts executed.

Note 3 - Cash and Deposits

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.

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 end December 31, 2017, the District's carrying amount of deposits was properly collateralized with securities held by the pledging financial institution's agent in the District's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that specifically addresses credit risk. At December 31, 2017, the District did not have any investments that are rated.

Concentration of Credit Risk

In the case of cash and deposits, this is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Cash and deposits consisted of the following as of December 31, 2017:

	Fair Value	Less than 1 year	1-5 years
Cash			
Bank of North Dakota	\$ 8,108,125	\$ 8,108,125	\$ -
Bremer Bank	1,843,851	1,843,851	-
Petty Cash	50	50	-
Certificates of deposit			
Bank of North Dakota	423,200	423,200	
Bremer Bank	3,576,998	1,158,500	2,418,498
Farm Credit	1,000	1,000	-
	\$ 13,953,224	\$ 11,534,726	\$ 2,418,498

Cash and deposits were recorded on the statement of net position as follows:

Cash	\$ 9,952,026
Certificates of deposit	4,001,198
Total	\$ 13,953,224

Note 4 - Property Tax

The District's property tax is levied each January 1 on the assessed value listed as of the prior January 1 for all real property located in the District. Assessed values are established by the County Board of Equalization. A revaluation of all property is required to be completed every year. The property taxes levied on January 1 are due in two equal installments on the March 1 and October 15 following the levy date. Property taxes are recorded when received.

Note 5 - Due From/To Other Funds

Due from/to other funds at December 31, 2017 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 940,778	\$ -
Operations, Maintenance and Replacement	-	200,000
Irrigation fund	-	740,778
	\$ 940,778	\$ 940,778

The advances between funds were made to provide funds to operate the funds due to the time lag between the dates that expenditures occur and reimbursement for the expenditures from other governmental agencies involved.

Note 6 - Capital Assets

	Balance Beginning of Year	Additions	(Deletions)	Balance End of Year
Capital assets, not being depreciated				
Land	\$ 143,667	\$ -	\$ -	\$ 143,667
Construction in progress	1,110,875	6,837,692	-	7,948,567
Total	<u>1,254,542</u>	<u>6,837,692</u>	<u>-</u>	<u>8,092,234</u>
Capital assets, being depreciated				
Land improvements	822,660	-	-	822,660
Buildings	1,421,718	5,675	-	1,427,393
Equipment	4,723,901	4,422,793	(286,651)	8,860,043
Pumping equipment	1,234,442	325,865	-	1,560,307
Intake structure	332,434	-	-	332,434
Pipeline	2,707,495	137,995	1	2,845,491
Total	<u>11,242,650</u>	<u>4,892,328</u>	<u>(286,650)</u>	<u>15,848,328</u>
Less accumulated depreciation				
Land improvements	492,924	29,364	-	522,288
Buildings	609,513	29,842	-	639,355
Equipment	3,881,079	552,601	(286,651)	4,147,029
Pumping equipment	443,898	88,746	-	532,644
Intake structure	121,563	22,162	-	143,725
Pipeline	429,961	111,010	1	540,972
Total	<u>5,978,938</u>	<u>833,725</u>	<u>(286,650)</u>	<u>6,526,013</u>
Total governmental activities capital assets, net	<u>\$ 6,518,254</u>	<u>\$ 10,896,295</u>	<u>\$ -</u>	<u>\$ 17,414,549</u>

Depreciation expense was charged to the following functions and programs of the District for the year ending December 31, 2017:

Governmental activities	
Administration	\$ 38,146
Irrigation	221,918
Operations, maintenance, and replacement	<u>573,661</u>
Total depreciation expense - governmental activities	<u>\$ 833,725</u>

Note 7 - Commitments

Capital Outlay

Since the inception of the Conservancy District, the District has entered into projects and commitments for various capital outlays for continuing development of recreation land, development and other related projects. The uncertainties inherent in such projects may result in curtailment, postponement or cost escalation of some of these projects. The District's understanding with other governmental agencies involved, such as the Bureau of Reclamation, local governmental units, and other agencies, is that the District will be reimbursed for these expenditures. Because of the legal and other complexities involved the ultimate reimbursement to be received for past, present and future outlays are not presently determinable.

Note 8 - Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities of the District:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Bonds payable	\$ 1,022,420	\$ -	\$ 92,224	\$ 930,196	\$ 97,578
Notes payable	203,148	-	18,676	184,472	19,541
Total	\$ 1,225,568	\$ -	\$ 110,900	\$ 1,114,668	\$ 117,119

Outstanding debt at December 31, 2017 consisted of the following:

Bonds Payable

\$1,500,000 Series 2011A revenue bonds, annual payments of \$141,652 due December of each year with a maturity of December 15, 2025; interest at 4.77%; liquidated out of the Irrigation Fund.

\$ 930,196

The Bond agreement includes covenants that, in part, impose the Irrigation Fund to maintain and collect the rates and charges for the project and its operations. The District was in compliance with these covenants at December 31, 2017.

Notes Payable

\$100,000 Note payable, due in annual payments of \$12,468.17 due May 1 of each year with a maturity of May 1, 2025; interest at 4.75%; liquidated out of the Irrigation Fund.	\$ 81,374
\$125,000 Note payable, due in annual payments of \$15,737.29 due May 1 of each year with a maturity of May 1, 2025; interest at 4.65%; liquidated out of the Irrigation Fund.	103,098
Total	\$ 184,472

This debt has no covenants in place that the District must follow.

Debt service requirements on the debt payable at December 31, 2017 are as follows:

Year ended December 31,	Series 2011A Revenue Bonds		
	Principal	Interest	Total
2018	\$ 97,578	\$ 44,075	\$ 141,653
2019	102,232	39,420	141,652
2020	107,014	34,638	141,652
2021	112,214	29,439	141,653
2022-2025	511,158	61,652	572,810
	\$ 930,196	\$ 209,224	\$ 1,139,420

Year ended December 31,	Notes Payable		
	Principal	Interest	Total
2018	\$ 19,541	\$ 8,664	\$ 28,205
2019	20,459	7,747	28,206
2020	21,419	6,786	28,205
2021	22,424	5,781	28,205
2022-2025	100,629	12,092	112,721
	\$ 184,472	\$ 41,070	\$ 225,542

Note 9 - Pension Plan

North Dakota Public Employees Retirement System

Garrison Diversion Conservancy District participates in the North Dakota Public Employees Retirement System administered by the State of North Dakota. 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; two members of the legislative assembly appointed by the chairman of the legislative management; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees;

Pension Benefits

Benefits are set by statute. NDPERS has no provisions 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 annual 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.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits 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 contribution rates are 7.12% of covered compensation. The District pays for 6% of the employee contribution and employees pay 1%.

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 and Pension Expense

At December 31, 2017, the Employer's proportionate share of the net pension liability was \$2,813,210. The net pension liability was measured as of July 1, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017, the Employer's proportion was 0.175024 percent. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2017, the Employer recognized pension expense of \$253,488.

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
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 following changes to the actuarial assumptions were made beginning with the July 1, 2017 actuarial valuation: the investment rate of return was lowered from 8.00 to 7.75 percent; the price inflation assumption was lowered from 3.5 percent to 2.5 percent; the payroll growth factor was lowered from 4.5 percent to 3.75 percent; and the asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017. All other actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study completed in 2015.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 by 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	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 assumed to be made 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 SDDR reflects (1) the long-term expected rate of return on the 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).

For the purpose of this July 1 2017 valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate (8%)	1% Increase in Discount Rate
Employer's proportionate share of the net pension liability	\$ 3,819,019	\$ 2,813,210	\$ 1,976,419

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS, 400 East Broadway, Suite 505, PO Box 1657, Bismarck, ND 58502-1657.

Deferred Compensation Plan

In addition, the District offers a deferred compensation plan through the State of North Dakota which allows eligible employees to defer from income tax, a portion of their salary until termination or retirement. The plans are individual contract arrangements and are completely funded by the employee. Since the plan is the property of the state, no plan assets or liabilities are reflected in the District's financial statements.

Note 10 - Risk Management

Garrison Diversion Conservancy 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 for which the District carries commercial insurance except for the following funds/pools established by the State for risk management issues:

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 over 2,000 State agencies and political subdivisions. The Garrison Diversion Conservancy District 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 \$1,000,000 per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building 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 one million dollars per occurrence during a 12-month period. 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 participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. Workforce Safety and Insurance is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

Note 11 - Transfers

The accompanying statement of revenues, expenditures, and changes in fund balance – modified cash basis presents internal administrative overhead charges and expenditures paid for on behalf of another fund as transfers between the special revenue funds and the general administrative fund. The following shows the transfers in and transfers out for the year ended December 31, 2017:

<u>Transfers Out</u>	<u>Transfers In General Fund</u>
Municipal, rural and industrial	\$ 23,615
Operations, maintenance and replacement	628,558
Red River Valley Water Supply Project	20,395
	\$ 672,568

Note 12 - Related Party

In accordance with North Dakota Century Code 61-39-04, the District is required to provide administrative, technical, and legal support for Lake Agassiz Water Authority. For the year ended December 31, 2017, the District spent \$148,696 on behalf of Lake Agassiz Water Authority for these types of expenditures.

Note 13 – Subsequent Events

The Irrigation fund is in the process of obtaining bonding from the State Revolving Fund for the development of an irrigation project at mile marker 42L in the amount of \$1,000,000.



Required Supplementary Information
December 31, 2017

Garrison Diversion Conservancy District

Garrison Diversion Conservancy District
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employers Contributions
 Year Ended December 31, 2017

**Schedule of Employer's Share of Net Pension Liability
 Last 10 Fiscal Years***

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered-Employee Payroll (b)**</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)**</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS	6/30/2017	0.175024%	\$ 2,813,210	\$ 1,786,725	157.45%	61.98%
NDPERS	6/30/2016	0.173315%	1,689,124	1,746,608	96.71%	70.5%
NDPERS	6/30/2015	0.772160%	1,205,039	1,578,782	76.33%	77.2%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Employer's Contributions
 Last 10 Fiscal Years***

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (c)**</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/c)**</u>
NDPERS	12/31/2017	\$ 253,488	\$ 253,488	\$ -	\$ 1,777,621	14.26%
NDPERS	12/31/2016	255,064	255,064	-	1,788,644	14.26%
NDPERS	12/31/2015	239,563	239,563	-	1,679,966	14.26%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the schedule of Employer's share of Net Pension Liability and Schedule of Employer's Contributions

- NDPERS's CAFR may be obtained on the NDPERS's website at www.nd.gov/ndpers for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

**Covered payroll has been retrospectively restated for all years presented to conform to the definition of covered payroll as clarified in GASB Statement No. 82, *Pension Issues*.

Note 1 - Changes of Assumptions

The following changes to the actuarial assumptions were made beginning with the July 1, 2017 actuarial valuation: the investment rate of return was lowered from 8.00 to 7.75 percent; the price inflation assumption was lowered from 3.5 percent to 2.5 percent; the payroll growth factor was lowered from 4.5 percent to 3.75 percent; and the asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017. All other actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study completed in 2015.

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 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.



Supplementary Information
December 31, 2017

Garrison Diversion Conservancy District

Garrison Diversion Conservancy District
Schedule of Taxes Received – Modified Cash Basis
Year Ended December 31, 2017

County

Barnes	\$ 80,675
Benson	34,565
Bottineau	59,598
Burleigh	511,074
Cass	786,997
Dickey	41,268
Eddy	15,046
Foster	28,358
Grand Forks	290,659
Griggs	21,125
LaMoure	42,111
McHenry	41,623
McKenzie	220,880
McLean	79,943
Nelson	26,207
Pierce	32,861
Ramsey	57,376
Ransom	33,972
Renville	26,070
Richland	89,457
Sargent	35,934
Sheridan	16,746
Steele	29,465
Stutsman	112,901
Traill	51,995
Ward	370,304
Wells	41,064
Williams	388,585
Subtotal	<u>3,566,859</u>
Interest and penalties	<u>8,504</u>
 Tax revenue	 <u><u>\$ 3,575,363</u></u>

Garrison Diversion Conservancy District
Schedule of Expenditures Compared to Budget – Modified Cash Basis
Year Ended December 31, 2017

General Fund (Administrative)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Directors				
Per diem	\$ 95,000	\$ 100,005	\$ 100,005	\$ -
Expenses	125,000	123,609	123,609	-
	<u>220,000</u>	<u>223,614</u>	<u>223,614</u>	<u>-</u>
Personal services				
Employee salaries	825,000	813,386	371,028	442,358
Employee expenses	122,000	122,000	55,650	66,350
Payroll taxes and benefits	392,707	400,707	371,701	29,006
	<u>1,339,707</u>	<u>1,336,093</u>	<u>798,379</u>	<u>537,714</u>
Contractual services				
Professional services	679,000	679,000	484,333	194,667
Irrigation development	464,875	464,875	348,568	116,307
Maintenance	68,000	68,000	47,559	20,441
GDCD recreation grant program	350,000	350,000	331,837	18,163
DWRA recreation program	10,000	10,000	3,546	6,454
Other charges				
Postage	13,000	7,000	3,798	3,202
Communications	25,000	25,000	19,375	5,625
Utilities	40,000	40,000	29,052	10,948
Data processing	25,000	23,526	16,818	6,708
Office supplies	35,000	35,000	16,339	18,661
Dues	13,000	13,000	10,680	2,320
Insurance	10,000	10,000	8,138	1,862
Meetings and events	8,000	8,000	5,048	2,952
Subscriptions	5,000	5,000	4,695	305
Employee recruiting	5,000	5,000	1,359	3,641
Independent audit	28,000	28,000	26,850	1,150
Public education	95,000	101,000	94,638	6,362
Small equipment	15,000	15,000	5,467	9,533
Miscellaneous	7,000	8,474	8,474	-
	<u>324,000</u>	<u>324,000</u>	<u>250,731</u>	<u>73,269</u>
Irrigation districts	24,900	24,900	-	24,900
Capital outlay				
Office equipment	20,000	20,000	-	20,000
Vehicle	30,000	30,000	21,440	8,560
Yard equipment	20,000	20,000	7,150	12,850
Land and buildings	15,000	15,000	-	15,000
	<u>85,000</u>	<u>85,000</u>	<u>28,590</u>	<u>56,410</u>
Total expenditures	<u>\$ 3,565,482</u>	<u>\$ 3,565,482</u>	<u>\$ 2,517,157</u>	<u>\$ 1,048,325</u>

Garrison Diversion Conservancy District
Schedule of Expenditures Compared to Budget – Modified Cash Basis
Year Ended December 31, 2017

Special Revenue Fund - Operations, Maintenance and Replacement

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Personnel costs				
Employee salaries	\$ 1,498,145	\$ 1,350,145	\$ 1,303,052	\$ 47,093
Payroll taxes and benefits	692,138	675,138	554,209	120,929
	<u>2,190,283</u>	<u>2,025,283</u>	<u>1,857,261</u>	<u>168,022</u>
Maintenance				
Supplies	401,013	341,531	331,433	10,098
Equipment	141,525	160,730	160,730	-
	<u>542,538</u>	<u>502,261</u>	<u>492,163</u>	<u>10,098</u>
Engineering and survey	<u>51,000</u>	<u>225,000</u>	<u>212,651</u>	<u>12,349</u>
Other charges				
Travel/training	43,961	32,261	27,776	4,485
Utilities	80,820	100,820	92,635	8,185
Materials	409,592	307,592	227,529	80,063
Safety	43,824	46,024	42,041	3,983
Equipment lease	14,000	10,000	4,618	5,382
Small Equipment Purchases	-	14,508	14,508	-
Miscellaneous	9,059	12,836	12,836	-
	<u>601,256</u>	<u>524,041</u>	<u>421,943</u>	<u>102,098</u>
Capital outlay				
Buildings and equipment	<u>396,040</u>	<u>4,409,532</u>	<u>4,399,878</u>	<u>9,654</u>
Total expenditures	<u>\$ 3,781,117</u>	<u>\$ 7,686,117</u>	<u>\$ 7,383,896</u>	<u>\$ 302,221</u>

Garrison Diversion Conservancy District
Schedule of Expenditures Compared to Budget – Modified Cash Basis
Year Ended December 31, 2017

Special Revenue Fund - Red River Valley Water Supply

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Other charges/CIP				
Study tasks				
Personnel	\$ -	\$ 143,376	\$ 143,376	\$ -
Financing/Legal/Admin	620,000	456,229	425,480	30,749
Final/preliminary design	10,400,000	10,400,000	7,589,524	2,810,476
Right of way	-	-	-	-
	<u>11,020,000</u>	<u>10,999,605</u>	<u>8,158,380</u>	<u>2,841,225</u>
 Total expenditures	 <u>\$ 11,020,000</u>	 <u>\$ 10,999,605</u>	 <u>\$ 8,158,380</u>	 <u>\$ 2,841,225</u>



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Garrison Diversion Conservancy District
Carrington, 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 modified cash basis financial statements of the governmental activities and each major fund of Garrison Diversion Conservancy District, North Dakota, as of and for the year ended December 31, 2017, 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 15, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the modified cash basis, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garrison Diversion Conservancy 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*.

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 result 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
May 15, 2018



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Garrison Diversion Conservancy District
Carrington, North Dakota

Report on Compliance for the Major Federal Program

We have audited Garrison Diversion Conservancy District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. Garrison Diversion Conservancy District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Garrison Diversion Conservancy 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 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 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 Garrison Diversion Conservancy 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 Garrison Diversion Conservancy District's compliance.

Opinion on the Major Federal Program

In our opinion, Garrison Diversion Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Garrison Diversion Conservancy District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Garrison Diversion Conservancy District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. 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.



Bismarck, North Dakota
May 15, 2018

Garrison Diversion Conservancy District
Schedule of Expenditures of Federal Awards – Modified Cash Basis
Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
<u>United States Department of the Interior</u>				
Passed through the Bureau of Reclamation				
Municipal, Rural and Industrial Water System Project	15.518	6-FC-60-00210	\$ 6,674,750	\$ 6,489,790
Operations, Maintenance, and Replacement Program	15.518	1-FC-60-01790	<u>7,756,343</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 14,431,093</u>	<u>\$ 6,489,790</u>

See Notes to Schedule of Expenditures of Federal Awards.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards – modified cash basis includes the federal grant activity of the Garrison Diversion Conservancy District, and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Garrison Diversion Conservancy District received federal awards indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B - Significant Accounting Policies

Governmental fund types account for the Garrison Diversion Conservancy District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the cash basis of accounting, whereby cash receipts and interest income are recognized when received and federal expenditures are recognized when paid. The Garrison Diversion Conservancy District's summary of significant accounting policies is presented in Note 1 in the Garrison Diversion Conservancy District's basic financial statements.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Municipal Rural, & Industrial Water System Project	15.518
Operations, Maintenance, and Replacement Program	15.518
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

2016-A Preparation of Financial Statements

*Initial Fiscal Year Finding
Occurred:*

2010

Finding Summary:

Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements.

Status:

The financial statements and accompanying notes are now prepared by Garrison Diversion Conservancy District staff.

2016-B Recording of Transactions

*Initial Fiscal Year Finding
Occurred:*

2014

Finding Summary:

Eide Bailly LLP proposed material audit adjustments that would not have been identified as a result of our existing controls and therefor, could have resulted in a material misstatement of our financial statements

Status:

Corrective action was taken to ensure material audit adjustments were not identified in the current year.