



Financial Statements  
December 31, 2019

# Garrison Diversion Conservancy District

# Garrison Diversion Conservancy District

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December 31, 2019

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Garrison Diversion Conservancy District  
Board of Directors by County (Unaudited)  
December 31, 2019

County	Name	Address	Term Expires	
			2020	2022
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	PO Box 9039 Fargo, ND 58106		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, 2019

County	Name	Address	Term Expires	
			2020	2022
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	708 Evergreen Circle NW Jamestown, ND 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, 2019, 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, 2019, 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 employer's share of net pension liability, schedule of employer's contributions-pensions, schedule of employer's share of net OPEB liability, and schedule of employer's contributions-OPEB 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, schedule of employer's share of net pension liability, schedule of employer's contributions – pension, schedule of employer's share of net OPEB liability, schedule of employer's contributions - OPEB, 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's contributions-pensions, schedule of employer's share of net OPEB liability, schedule of employer's contributions-OPEB, 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 April 21, 2020, 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.

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

Bismarck, North Dakota  
April 21, 2020

Garrison Diversion Conservancy District  
Statement of Net Position – Modified Cash Basis  
December 31, 2019

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 7,896,984
Certificates of deposit	11,001,198
Capital assets not being depreciated	
Land	143,667
Construction in progress	19,424,999
Capital assets, net of accumulated depreciation	
Land improvements	279,040
Buildings	748,193
Equipment	3,187,533
Pumping equipment	1,858,392
Intake equipment	144,384
Pipeline	<u>2,789,972</u>
Total assets	<u>47,474,362</u>
<b>Liabilities</b>	
Long-term liabilities:	
Portion due within one year	
Bond payable	145,014
Notes payable	9,438
Portion due after one year	
Bond payable	1,554,924
Notes payable	54,303
Total liabilities	<u>1,763,679</u>
<b>Net Position</b>	
Net investment in capital assets	26,812,501
Restricted	
Operations and maintenance emergency	822,818
Deficiency	802,288
Project development	915,593
Operations and maintenance and replacement	134,936
Red River Valley Water Supply	894,327
Irrigation Fund	27,736
Unrestricted	<u>15,300,484</u>
Total net position	<u>\$ 45,710,683</u>



Garrison Diversion Conservancy District  
Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2019

	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses					
Administration	\$ 2,517,780	\$ -	\$ 26,600	\$ 18,209	\$ (2,472,971)
Municipal, rural, and industrial	20,487,671	-	20,128,751	-	(358,920)
Operations, maintenance, and replacement	4,210,030	212,087	3,850,279	502,092	354,428
Red River Valley water supply	800,026	-	1,804,263	4,329,821	5,334,058
Irrigation	606,069	-	1,020,634	90,814	505,379
Total governmental activities	<u>\$ 28,621,576</u>	<u>\$ 212,087</u>	<u>\$ 26,830,527</u>	<u>\$ 4,940,936</u>	<u>3,361,974</u>
General Revenues					
Taxes					3,858,905
Interest on investments					147,854
Leases					2,303
Miscellaneous					11,174
Total general revenues					<u>4,020,236</u>
Change in Net Position					<u>7,382,210</u>
Net Position, Beginning of Year					<u>38,328,473</u>
Net Position, End of Year					<u>\$ 45,710,683</u>

Garrison Diversion Conservancy District  
Balance Sheet – Modified Cash Basis – Governmental Funds  
December 31, 2019

	General Fund (Administrative)	Municipal, Rural and Industrial Working Fund	Operations, Maintenance and Replacement Fund	Red River Valley Water Supply Fund	Irrigation Fund	Total
<b>Assets</b>						
Cash	\$ 6,155,787	\$ 3,970	\$ 334,936	\$ 894,327	\$ 507,964	\$ 7,896,984
Certificates of deposit	11,001,198	-	-	-	-	11,001,198
Due from other funds	1,073,363	-	-	-	-	1,073,363
<b>Total assets</b>	<b>\$ 18,230,348</b>	<b>\$ 3,970</b>	<b>\$ 334,936</b>	<b>\$ 894,327</b>	<b>\$ 507,964</b>	<b>\$ 19,971,545</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ 393,135	\$ 200,000	\$ -	\$ 480,228	\$ 1,073,363
<b>Total liabilities</b>	<b>-</b>	<b>393,135</b>	<b>200,000</b>	<b>-</b>	<b>480,228</b>	<b>1,073,363</b>
<b>Fund Balance</b>						
<b>Restricted</b>						
Deficiency	802,288	-	-	-	-	802,288
Operations and maintenance emergency	822,818	-	-	-	-	822,818
Project development	915,593	-	-	-	-	915,593
Operations, maintenance and replacement	-	-	134,936	-	-	134,936
Red River Valley Water Supply	-	-	-	894,327	27,736	922,063
Irrigation Fund	-	-	-	-	-	-
<b>Committed</b>						
Operating reserve	4,418,645	-	-	-	-	4,418,645
<b>Unassigned</b>						
	11,271,004	(389,165)	-	-	-	10,881,839
<b>Total fund balance</b>	<b>18,230,348</b>	<b>(389,165)</b>	<b>134,936</b>	<b>894,327</b>	<b>27,736</b>	<b>18,898,182</b>
<b>Total liabilities and fund balance</b>	<b>\$ 18,230,348</b>	<b>\$ 3,970</b>	<b>\$ 334,936</b>	<b>\$ 894,327</b>	<b>\$ 507,964</b>	<b>\$ 19,971,545</b>

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, 2019

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Total fund balances for governmental funds \$ 18,898,182

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	19,424,999
Land improvements, net of accumulated depreciation	279,040
Buildings, net of accumulated depreciation	748,193
Equipment, net of accumulated depreciation	3,187,533
Pumping Equipment, net of accumulated depreciation	1,858,392
Intake Equipment, net of accumulated depreciation	144,384
Pipeline, net of accumulated depreciation	2,789,972

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	(1,699,938)
Notes Payable	<u>(63,741)</u>

Total net position of governmental activities \$ 45,710,683

Garrison Diversion Conservancy District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds  
Year Ended December 31, 2019

	Fund (Administrative)	Municipal, Rural and Industrial Working Fund	Operations, Maintenance and Replacement Fund	Red River Valley Water Supply	Irrigation Fund	Total
<b>Revenues</b>						
Taxes	\$ 3,858,905	\$ -	\$ -	\$ -	\$ -	\$ 3,858,905
Interest on investments	138,156	51	2,772	-	6,875	147,854
Non-project income	-	-	212,087	-	-	212,087
Program income	-	-	7,730	-	-	7,730
Contract revenue	44,809	20,128,751	-	6,000,000	1,111,448	27,285,008
Bureau of Reclamation	-	-	4,344,641	-	-	4,344,641
Leases	2,303	-	-	-	-	2,303
Miscellaneous	2,284	-	8,890	-	-	11,174
<b>Total revenues</b>	<b>4,046,457</b>	<b>20,128,802</b>	<b>4,576,120</b>	<b>6,000,000</b>	<b>1,118,323</b>	<b>35,869,702</b>
<b>Expenditures</b>						
<b>Current</b>						
Directors	245,442	-	-	-	-	245,442
Personnel	849,801	72,673	2,111,690	197,340	-	3,231,504
Contractual services	418,525	20,355,797	179,107	602,686	-	21,556,115
Irrigation development	345,313	-	-	-	-	345,313
Maintenance	53,724	-	629,316	-	253,933	936,973
GDGD recreation grant program	271,660	-	-	-	-	271,660
DWRA recreation program	2,674	-	-	-	-	2,674
Other charges	274,060	59,201	107,404	-	-	440,665
Irrigation districts	22,350	-	-	-	-	22,350
Capital outlay	18,209	-	502,092	4,195,738	90,814	4,806,853
<b>Debt service</b>						
Principal	-	-	-	-	244,196	244,196
Interest and fiscal charges	-	-	-	-	64,914	64,914
<b>Total expenditures</b>	<b>2,501,758</b>	<b>20,487,671</b>	<b>3,529,609</b>	<b>4,995,764</b>	<b>653,857</b>	<b>32,168,659</b>
<b>Revenues over (under) expenditures</b>	<b>1,544,699</b>	<b>(358,869)</b>	<b>1,046,511</b>	<b>1,004,236</b>	<b>464,466</b>	<b>3,701,043</b>
<b>Other Financing Sources (Uses)</b>						
Debt issuance	-	-	-	-	95,134	95,134
Transfers in	1,209,633	-	-	-	-	1,209,633
Transfers out	-	(34,216)	(1,120,360)	(55,057)	-	(1,209,633)
<b>Total other financing sources (uses)</b>	<b>1,209,633</b>	<b>(34,216)</b>	<b>(1,120,360)</b>	<b>(55,057)</b>	<b>95,134</b>	<b>95,134</b>
<b>Net Change in Fund Balance</b>	<b>2,754,332</b>	<b>(393,085)</b>	<b>(73,849)</b>	<b>949,179</b>	<b>559,600</b>	<b>3,796,177</b>
<b>Fund Balances (Deficit), Beginning of Year</b>	<b>15,476,016</b>	<b>3,920</b>	<b>208,785</b>	<b>(54,852)</b>	<b>(531,864)</b>	<b>15,102,005</b>
<b>Fund Balances (Deficit), End of Year</b>	<b>\$ 18,230,348</b>	<b>\$ (389,165)</b>	<b>\$ 134,936</b>	<b>\$ 894,327</b>	<b>\$ 27,736</b>	<b>\$ 18,898,182</b>

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, 2019

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Net change in fund balances - total governmental funds \$ 3,796,177

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	\$ 4,940,937	
Depreciation expense	<u>(1,503,966)</u>	
Excess of capital outlay over depreciation expense		3,436,971

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 issuance	\$ (95,134)	
Debt repayment	<u>244,196</u>	<u>149,062</u>

Changes in net position of governmental activities \$ 7,382,210

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes levied by counties	\$ 3,457,690	\$ 3,457,690	\$ 3,858,905	\$ 401,215
Interest on investments	25,000	25,000	138,156	113,156
Contract revenue	48,000	48,000	44,809	(3,191)
Leases	2,000	2,000	2,303	303
Miscellaneous	1,170	1,170	2,284	1,114
<b>Total revenues</b>	<b>3,533,860</b>	<b>3,533,860</b>	<b>4,046,457</b>	<b>512,597</b>
<b>Expenditures</b>				
<b>Current</b>				
Directors	270,000	270,000	245,442	24,558
Personnel services	1,020,160	1,020,160	849,801	170,359
Contractual services	864,000	844,000	418,525	425,475
Irrigation development	464,875	464,875	345,313	119,562
Maintenance	78,000	78,000	53,724	24,276
GDCD recreation grant program	375,000	375,000	271,660	103,340
DWRA recreation program	10,000	10,000	2,674	7,326
Other charges	340,000	360,000	274,060	85,940
Irrigation districts	24,900	24,900	22,350	2,550
Capital outlay	88,000	88,000	18,209	69,791
<b>Total expenditures</b>	<b>3,534,935</b>	<b>3,534,935</b>	<b>2,501,758</b>	<b>1,033,177</b>
<b>Revenues over (under) expenditures</b>	<b>(1,075)</b>	<b>(1,075)</b>	<b>1,544,699</b>	<b>1,545,774</b>
<b>Other Financing Sources</b>				
Transfers in	926,540	1,238,540	1,209,633	(28,907)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>926,540</b>	<b>1,238,540</b>	<b>1,209,633</b>	<b>(28,907)</b>
<b>Net Change in Fund Balance</b>	<b>925,465</b>	<b>1,237,465</b>	<b>2,754,332</b>	<b>1,516,867</b>
<b>Fund Balance, Beginning of Year</b>	<b>15,476,016</b>	<b>15,476,016</b>	<b>15,476,016</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 16,401,481</b>	<b>\$ 16,713,481</b>	<b>\$ 18,230,348</b>	<b>\$ 1,516,867</b>

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, 2019

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**Municipal, Rural and Industrial Fund**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Contract income	\$ 6,181,775	\$ 21,697,775	\$ 20,128,751	\$ (1,569,024)
Interest on investments	25	25	51	26
Total revenues	<u>6,181,800</u>	<u>21,697,800</u>	<u>20,128,802</u>	<u>(1,568,998)</u>
Expenditures				
Personnel Services	97,250	97,250	72,673	24,577
Contractual services	6,065,100	21,565,100	20,414,998	1,150,102
Total expenditures	<u>6,162,350</u>	<u>21,662,350</u>	<u>20,487,671</u>	<u>1,174,679</u>
Revenues over (under) expenditures	<u>19,450</u>	<u>35,450</u>	<u>(358,869)</u>	<u>(394,319)</u>
Other Financing Uses				
Transfers out	<u>(19,450)</u>	<u>(35,450)</u>	<u>(34,216)</u>	<u>1,234</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(393,085)</u>	<u>(393,085)</u>
Fund Balance, Beginning of Year	<u>3,920</u>	<u>3,920</u>	<u>3,920</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ 3,920</u>	<u>\$ 3,920</u>	<u>\$ (389,165)</u>	<u>\$ (393,085)</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, 2019

**Operations, Maintenance and Replacement Fund**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Interest on investments	\$ 450	\$ 450	\$ 2,772	\$ 2,322
Non-project income	255,000	255,000	212,087	(42,913)
Program income	5,000	5,000	7,730	2,730
Bureau of Reclamation	4,769,615	5,039,615	4,344,641	(694,974)
Miscellaneous	-	-	8,890	8,890
<b>Total revenues</b>	<b>5,030,065</b>	<b>5,300,065</b>	<b>4,576,120</b>	<b>(723,945)</b>
<b>Expenditures</b>				
Personnel	2,467,360	2,342,360	2,111,690	230,670
Maintenance	788,970	745,970	629,316	116,654
Engineering and survey	415,240	415,240	179,107	236,133
Other charges	106,945	116,945	107,404	9,541
Capital outlay	375,000	533,000	502,092	30,908
<b>Total expenditures</b>	<b>4,153,515</b>	<b>4,153,515</b>	<b>3,529,609</b>	<b>623,906</b>
<b>Revenues over (under) expenditures</b>	<b>876,550</b>	<b>1,146,550</b>	<b>1,046,511</b>	<b>(100,039)</b>
<b>Other Financing Uses</b>				
Transfers out	(876,550)	(1,146,550)	(1,120,360)	26,190
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>(73,849)</b>	<b>(73,849)</b>
<b>Fund Balance, Beginning of Year</b>	<b>208,785</b>	<b>208,785</b>	<b>208,785</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 208,785</b>	<b>\$ 208,785</b>	<b>\$ 134,936</b>	<b>\$ (73,849)</b>



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, 2019

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**Red River Valley Water Supply Fund**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contract revenue	\$ 30,583,085	\$ 8,609,085	\$ 6,000,000	\$ (2,609,085)
Interest on investments	150	150	-	(150)
Total revenues	<u>30,583,235</u>	<u>8,609,235</u>	<u>6,000,000</u>	<u>(2,609,235)</u>
Expenditures				
Personnel	152,695	198,695	197,340	1,355
Contractual services	1,000,000	1,354,000	602,686	751,314
Construction In Progress	29,400,000	7,000,000	4,195,738	2,804,262
Total expenditures	<u>30,552,695</u>	<u>8,552,695</u>	<u>4,995,764</u>	<u>3,556,931</u>
Revenues over (under) expenditures	<u>30,540</u>	<u>56,540</u>	<u>1,004,236</u>	<u>947,696</u>
Other Financing Uses				
Transfers out	<u>(30,540)</u>	<u>(56,540)</u>	<u>(55,057)</u>	<u>1,483</u>
Total other financing uses	<u>(30,540)</u>	<u>(56,540)</u>	<u>(55,057)</u>	<u>1,483</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>949,179</u>	<u>949,179</u>
Fund Balance (Deficit), Beginning of Year	<u>(54,852)</u>	<u>(54,852)</u>	<u>(54,852)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (54,852)</u>	<u>\$ (54,852)</u>	<u>\$ 894,327</u>	<u>\$ 949,179</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, 2019**

**Irrigation Fund**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ -	\$ -	\$ 6,875	\$ 6,875
Miscellaneous income	700	700	-	(700)
Contract income	<u>1,169,500</u>	<u>1,080,300</u>	<u>1,111,448</u>	<u>31,148</u>
Total revenues	<u>1,170,200</u>	<u>1,081,000</u>	<u>1,118,323</u>	<u>37,323</u>
<b>Expenditures</b>				
Contractual services	500,000	500,000	253,933	246,067
Capital outlay	500,000	270,000	90,814	179,186
Debt service				
Principal	123,000	246,000	244,196	1,804
Interest	<u>47,200</u>	<u>65,000</u>	<u>64,914</u>	<u>86</u>
Total expenditures	<u>1,170,200</u>	<u>1,081,000</u>	<u>653,857</u>	<u>427,143</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>464,466</u>	<u>464,466</u>
<b>Other Financing Sources</b>				
Debt proceeds	-	-	95,134	95,134
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>95,134</u>	<u>95,134</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>559,600</u>	<u>559,600</u>
Fund Balance (Deficit), Beginning of Year	<u>(531,864)</u>	<u>(531,864)</u>	<u>(531,864)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (531,864)</u></u>	<u><u>\$ (531,864)</u></u>	<u><u>\$ 27,736</u></u>	<u><u>\$ 559,600</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 10, is shown as additional information to the users of the financial statements.

### **Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Note 11, is shown as additional information to the users of the financial statements.

## **Note 2 - Legal Compliance**

### **Deficit Fund Balances**

At December 31, 2019, the following fund had a deficit balance:

MR&I Fund	\$ (389,165)
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The MRI fund deficit will be eliminated by future collections from the Municipal, Rural and Industrial Water System Project funds.

### **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, 2019, 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, 2019, 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, 2019:

	Fair Value	Less than 1 year	1-5 years
Cash			
Bank of North Dakota	\$ 6,155,737	\$ 6,155,737	\$ -
Bremer Bank	1,741,197	1,741,197	-
Petty Cash	50	50	-
Certificates of deposit			
Bremer Bank	11,000,198	10,000,198	1,000,000
Farm Credit	1,000	1,000	-
	\$ 18,898,182	\$ 17,898,182	\$ 1,000,000

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

Cash	\$ 7,896,984
Certificates of deposit	11,001,198
Total	\$ 18,898,182

**Note 4 - Property Tax**

The District's property tax received is levied by each county in the district 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, 2019 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 1,073,363	\$ -
MRI Fund	-	393,135
Operations, Maintenance and Replacement	-	200,000
Irrigation fund	-	480,228
	<u>\$ 1,073,363</u>	<u>\$ 1,073,363</u>

The transfers 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	15,004,363	4,420,636	-	19,424,999
Total	<u>15,148,030</u>	<u>4,420,636</u>	<u>-</u>	<u>19,568,666</u>
Capital assets, being depreciated				
Land improvements	877,384	-	-	877,384
Buildings	1,450,193	-	(6,015)	1,444,178
Equipment	8,919,385	520,301	(467,107)	8,972,579
Pumping equipment	2,627,602	-	-	2,627,602
Intake structure	332,434	-	-	332,434
Pipeline	3,593,728	-	-	3,593,728
Total	<u>17,800,726</u>	<u>520,301</u>	<u>(473,122)</u>	<u>17,847,905</u>
Less accumulated depreciation				
Land improvements	558,036	40,308	-	598,344
Buildings	670,440	31,560	(6,015)	695,985
Equipment	5,107,277	1,144,876	(467,107)	5,785,046
Pumping equipment	642,786	126,424	-	769,210
Intake structure	165,887	22,163	-	188,050
Pipeline	665,121	138,635	-	803,756
Total	<u>7,809,547</u>	<u>1,503,966</u>	<u>(473,122)</u>	<u>8,840,391</u>
Total governmental activities capital assets, net	<u>\$ 25,139,209</u>	<u>\$ 3,436,971</u>	<u>\$ -</u>	<u>\$ 28,576,180</u>

Depreciation expense was charged to the following functions and programs of the District for the year ending December 31, 2019:

Governmental activities	
Administration	\$ 34,231
Irrigation	287,222
Operations, maintenance, and replacement	<u>1,182,513</u>
Total depreciation expense - governmental activities	<u>\$ 1,503,966</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, 2019, the following changes occurred in long-term liabilities of the District:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Bonds payable	\$ 1,747,824	\$ 95,134	\$ 143,020	\$ 1,699,938	\$ 145,014
Notes payable	164,917	-	101,176	63,741	9,438
<b>Total</b>	<b>\$ 1,912,741</b>	<b>\$ 95,134</b>	<b>\$ 244,196</b>	<b>\$ 1,763,679</b>	<b>\$ 154,452</b>

Outstanding debt at December 31, 2019 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.	\$ 732,140
\$877,318 Series 2018A Improvement Bond, annual payments \$39,700 due September of each year with a maturity of September 1, 2048; interest at 1.5%; Admin Fee .5% liquidated out of the Irrigation Fund.	853,300
\$36,993 Series 2018B Improvement Bond, annual payments \$4,600 due September of each year with a maturity of September 1, 2028; interest at 1.5%; Admin Fee .5% liquidated out of the Irrigation Fund.	34,000
\$95,134 Series 2018C Improvement Bond, annual payments \$13,000 due September of each year with a maturity of September 1, 2025; interest at 1.5%; Admin Fee .5% liquidated out of the Irrigation Fund.	80,498
<b>Total</b>	<b>\$ 1,699,938</b>

Garrison Diversion Conservancy District  
Notes to Financial Statements  
December 31, 2019

The 2011A 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 covenants at December 31, 2019.

The District has been approved for \$5,000,000 in available financing through the issuance of the series 2018A, 2018B and 2018C Improvement Bonds. At December 31, 2019, \$1,009,445 was drawn down and \$967,798 is outstanding.

**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.

	\$ 63,741
Total	\$ 63,741

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

Debt service requirements on the debt payable at December 31, 2019 are as follows:

Year ended December 31,	Series 2011A, 2018A, 2018B and 2018C Revenue Bonds		
	Principal	Interest	Total
2020	\$ 145,014	\$ 54,078	\$ 199,092
2021	151,214	48,119	199,333
2022	158,566	41,986	200,552
2023	164,174	35,559	199,733
2024	171,015	28,898	199,913
2025-2049	297,655	76,689	374,344
2050-2034	140,000	56,020	196,020
2035-2039	155,000	41,420	196,420
2040-2044	171,000	25,320	196,320
2045-2048	146,300	7,520	153,820
	\$ 1,699,938	\$ 415,609	\$ 2,115,547

Year ended December 31,	Notes Payable		
	Principal	Interest	Total
2020	\$ 9,438	\$ 3,030	\$ 12,468
2021	9,886	2,582	12,468
2022	10,356	2,112	12,468
2023	10,848	1,620	12,468
2024	11,363	1,105	12,468
2025	11,850	565	12,415
	\$ 63,741	\$ 11,014	\$ 74,755

In January of 2019, the Garrison Diversion Conservancy District issued an Irrigation Improvement Bond, Series 2014-1 to be used for refinancing of an existing note. The net proceeds were used to pay off note 4100 with Farm Credit Services of North Dakota.

The difference in cash flows required to service the old debt and the new debt is \$5,045. The economic benefit, as measured by the present value savings of the refinancing, is \$5,267.

**Note 9 – Lease Commitments**

The Entity leases an office building and office equipment under various noncancelable operating leases.

Future minimum lease payments under noncancelable operating leases at December 31, 2019, are as follows:

2020	\$	6,884
2021		6,884
2022		6,611
2023		3,609
 Total minimum lease payments	 \$	 23,988

**Note 10-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; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

### **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. For members hired on or after January 1, 2020 the 2% multiplier was replaced with a 1.75% multiplier. 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. For members hired on or after January 1, 2020 member contribution rates are 7% and Employer contribution rates are 8.26% 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, 2019, the Employer's proportionate share of the net pension liability was \$2,196,100 . The net pension liability was measured as of June 30, 2019 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 June 30, 2019, the Employer's proportion was 0.187369 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, 2019, the Employer recognized pension expense of \$283,610.

### **Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



Inflation	2.50%		
Salary increases	<u>Service</u> <u>Beginning</u> <u>of Year</u>	<u>State</u> <u>Employee</u>	<u>Non-State</u> <u>Employee</u>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	<u>Age</u>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.50%
Cost-of-living adjustments	None

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

The long-term expected 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</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The current employer and employee fixed rate contributions are 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 SDR 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 valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Employer's proportionate share of the net pension liability	\$ 3,148,735	\$ 2,196,100	\$ 1,395,721

**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 11 – Other Post-Employment Benefits (OPEB)**

### **North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be use for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020 members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be use for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

### OPEB Liabilities and OPEB Expense

At December 31, 2019 the Employer reported liability of \$140,285 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 the Employer's proportion was 0.174660 percent.

The Employer's proportionate share of the net OPEB liability is not reported in the financial statements shown under the modified cash basis of accounting.

### Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Not Applicable
Investment Rate of Return	7.25%, net of investment expenses
Cost-of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
Employer's Proportionate share of the net OPEB liability	179,055	140,285	107,097

**Note 12 - 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 (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF 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 13 -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, 2019:

<u>Transfers Out</u>	<u>Transfers In</u> General Fund
Municipal, rural and industrial	\$ 34,216
Operations, maintenance and replacement	1,120,360
Red River Valley Water Supply Project	55,057
	\$ 1,209,633

Transfers out of the funds to the general fund consisted of payments for indirect costs.

**Note 14 - 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, 2019, the District spent \$106,369 on behalf of Lake Agassiz Water Authority for these types of expenditures.

**Note 15-Subsequent Events**

The State of Missouri filed a lawsuit on February 4, 2020, against the U.S. Army Corps of Engineers (USACE), Bureau of Reclamation, and Garrison Diversion Conservancy District (Garrison Diversion), as well as several political officials, related to the Central North Dakota Water Supply Project (CNDWSP).

The suit alleges Reclamation and USACE failed to consider impacts to the State of Missouri during Reclamation’s environmental review and subsequent FONSI for the CNDWSP. The State of Missouri also alleges the RRVWSP cannot move forward without the CNDWSP, and; therefore, both projects must be subjected to federal environmental review.

This is a challenge of the Federal government's decision that the Central North Dakota Water Supply Project has no significant environmental impacts. Since the McClusky Canal is an optional water source for part of the state Red River Valley Water Supply Project, the litigation over this optional intake will not stop or impact the State Project.

Any legal fees incurred due to lawsuit will be covered by the North Dakota Insurance Reserve policy the Garrison Diversion has in place.

### **General Operations**

Subsequent to year-end the District has been impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the District's financial position is not known.



Supplementary Information  
December 31, 2019

# Garrison Diversion Conservancy District



**Garrison Diversion Conservancy District**  
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions-Pensions  
 Year Ended December 31, 2019

**Schedule of Employer's Share of Net Pension Liability  
 ND Public Employees Retirement System  
 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	6/30/2019	0.187369%	\$ 2,196,100	\$ 1,948,956	112.68%	71.7%
NDPERS	6/30/2018	0.167643%	2,829,159	1,722,227	164.27%	62.8%
NDPERS	6/30/2017	0.175024%	2,813,210	1,786,725	157.45%	62.0%
NDPERS	6/30/2016	0.173315%	1,689,124	1,746,608	96.71%	70.5%
NDPERS	6/30/2015	0.177216%	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- Pension  
 ND Public Employees Retirement System  
 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	12/31/2019	\$ 260,937	\$ 260,937	-	\$ 1,988,855	13.12%
NDPERS	12/31/2018	245,334	245,334	-	1,869,920	13.12%
NDPERS	12/31/2017	233,224	233,224	-	1,777,621	13.12%
NDPERS	12/31/2016	234,670	234,670	-	1,788,644	13.12%
NDPERS	12/31/2015	220,412	220,412	-	1,679,966	13.12%

\*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.

Garrison Diversion Conservancy District  
 Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions-OPEB  
 Year Ended December 31, 2019

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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion (Percentage) of the Net OPEB Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset) (a)</u>	<u>Employer's Covered-Employee Payroll (b)**</u>	<u>Employer's Proportionate Share of the Net OPEB 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	6/30/2019	0.174660%	\$ 140,285	\$ 1,948,956	7.20%	63.13%
NDPERS	6/30/2018	0.157939%	123,958	1,722,227	7.20%	61.89%

\*GASB Statement No. 75 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-OPEB  
 ND Public Employees Retirement System  
 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	12/31/2019	\$ 22,673	\$ 22,673	-	\$ 1,988,855	1.14%
NDPERS	12/31/2018	21,317	21,317	-	1,869,920	1.14%

\*GASB Statement No. 75 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.

### **Note 1 - Changes of Benefit Terms**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 (compared to the current member multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Beginning January 1, 2020. Members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

### **Note 2-Change of Assumptions**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Garrison Diversion Conservancy District  
Schedule of Taxes Received – Modified Cash Basis  
Year Ended December 31, 2019

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County

Barnes	\$ 86,091
Benson	36,403
Bottineau	65,699
Burleigh	542,140
Cass	901,556
Dickey	43,370
Eddy	16,130
Foster	31,280
Grand Forks	310,498
Griggs	22,128
LaMoure	45,099
McHenry	45,626
McKenzie	297,946
McLean	85,572
Nelson	27,551
Pierce	34,612
Ramsey	61,521
Ransom	36,692
Renville	26,345
Richland	93,038
Sargent	39,899
Sheridan	18,712
Steele	31,240
Stutsman	125,778
Traill	56,626
Ward	342,514
Wells	43,185
Williams	380,475
Subtotal	3,847,726
Interest and penalties	11,179
Tax revenue	\$ 3,858,905

Garrison Diversion Conservancy District  
Schedule of Expenditures Compared to Budget – Modified Cash Basis  
Year Ended December 31, 2019

**General Fund (Administrative)**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Directors				
Per diem	\$ 120,000	\$ 120,000	\$ 118,269	\$ 1,731
Expenses	150,000	150,000	127,173	22,827
	270,000	270,000	245,442	24,558
Personal services				
Employee salaries	598,240	598,240	538,027	60,213
Employee expenses	130,000	130,000	71,556	58,444
Payroll taxes and benefits	291,920	291,920	240,218	51,702
	1,020,160	1,020,160	849,801	170,359
Contractual services				
Professional services	864,000	844,000	418,525	425,475
Irrigation development	464,875	464,875	345,313	119,562
Maintenance	78,000	78,000	53,724	24,276
GDCD recreation grant program	375,000	375,000	271,660	103,340
DWRA recreation program	10,000	10,000	2,674	7,326
Other charges				
Postage	7,000	7,000	5,792	1,208
Communications	26,000	26,000	25,117	883
Utilities	40,000	40,000	31,402	8,598
Data processing	29,000	29,000	16,368	12,632
Office supplies	35,000	22,443	17,727	4,716
Dues	14,000	14,000	9,936	4,064
Insurance	16,000	16,000	11,408	4,592
Meetings and events	10,000	10,000	5,127	4,873
Subscriptions	5,500	5,500	4,119	1,381
Employee recruiting	5,000	5,000	-	5,000
Independent audit	28,000	30,557	30,557	-
Public education	99,000	119,000	88,792	30,208
Small equipment	17,000	27,000	24,315	2,685
Miscellaneous	8,500	8,500	3,400	5,100
	340,000	360,000	274,060	85,940
Irrigation districts	24,900	24,900	22,350	2,550
Capital outlay				
Office equipment	20,000	20,000	-	20,000
Vehicle	33,000	33,000	18,209	14,791
Yard equipment	20,000	20,000	-	20,000
Land and buildings	15,000	15,000	-	15,000
	88,000	88,000	18,209	69,791
<b>Total expenditures</b>	<b>\$ 3,534,935</b>	<b>\$ 3,534,935</b>	<b>\$ 2,501,758</b>	<b>\$ 1,033,177</b>

Garrison Diversion Conservancy District  
Schedule of Expenditures Compared to Budget – Modified Cash Basis  
Year Ended December 31, 2019

**Special Revenue Fund - Operations, Maintenance and Replacement**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Personnel costs</b>				
Employee salaries	\$ 1,496,500	\$ 1,496,500	\$ 1,404,433	\$ 92,067
Payroll taxes and benefits	901,580	751,580	626,769	124,811
Travel/training	36,760	36,760	23,472	13,288
Safety	32,520	57,520	57,016	504
	<u>2,467,360</u>	<u>2,342,360</u>	<u>2,111,690</u>	<u>230,670</u>
<b>Maintenance</b>				
Supplies	187,600	389,600	389,244	356
Materials	200,000	160,000	70,252	89,748
Equipment lease	101,400	26,400	12,933	13,467
Small equipment purchases	-	15,000	5,444	9,556
Equipment	299,970	154,970	151,443	3,527
	<u>788,970</u>	<u>745,970</u>	<u>629,316</u>	<u>116,654</u>
Engineering and survey	<u>415,240</u>	<u>415,240</u>	<u>179,107</u>	<u>236,133</u>
<b>Other charges</b>				
Utilities	86,940	96,940	96,185	755
Miscellaneous	20,005	20,005	11,219	8,786
	<u>106,945</u>	<u>116,945</u>	<u>107,404</u>	<u>9,541</u>
<b>Capital outlay</b>				
Buildings and equipment	375,000	533,000	502,092	30,908
Total expenditures	<u>\$ 4,153,515</u>	<u>\$ 4,153,515</u>	<u>\$ 3,529,609</u>	<u>\$ 623,906</u>

Garrison Diversion Conservancy District  
Schedule of Expenditures Compared to Budget – Modified Cash Basis  
Year Ended December 31, 2019

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**Special Revenue Fund - Red River Valley Water Supply**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Personal services				
Employee salaries	\$ 152,695	\$ 198,695	\$ 197,340	\$ 1,355
Contractual services				
Professional services	1,000,000	1,354,000	602,686	751,314
Capital outlay				
Construction in progress	29,400,000	7,000,000	4,195,738	2,804,262
Total expenditures	<u>\$ 30,552,695</u>	<u>\$ 8,552,695</u>	<u>\$ 4,995,764</u>	<u>\$ 3,556,931</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, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated April 21, 2020. 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.

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

Bismarck, North Dakota  
April 21, 2020



**Independent Auditor's Report on Compliance for Each 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 Each 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 each of Garrison Diversion Conservancy District's major federal programs for the year ended December 31, 2019. Garrison Diversion Conservancy District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of Garrison Diversion Conservancy District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of 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 each 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 programs for the year ended December 31, 2019.

## **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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  
April 21, 2020

Garrison Diversion Conservancy District  
Schedule of Expenditures of Federal Awards – Modified Cash Basis  
Year Ended December 31, 2019

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	\$ 20,128,751	\$ 19,956,886
Operations, Maintenance, and Replacement Program	15.518	1-FC-60-01790	<u>4,437,882</u>	<u>-</u>
Total United States Department of Interior			<u>24,566,633</u>	<u>19,956,886</u>
 <u>Environmental Protection Agency</u>				
Passed through the North Dakota Department of Health				
Clean Water State Revolving Funds Cluster Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>154,972</u>	<u>-</u>
Total Environmental Protection Agency			<u>154,972</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 24,721,605</u>	<u>\$ 19,956,886</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.

**Note C – Indirect Cost Rate**

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

**Note D – Loan Programs**

Expenditures reported in the schedule for the Capitalization Grants for Clean Water – State Revolving Fund (SRF) (CFDS # 66.458) consist of loan advances made during the year. The outstanding balance at December 31, 2019 was \$967,798.

**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

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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None