

RUSH RIVER WATER RESOURCE DISTRICT
 Management's Discussion and Analysis – Continued

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

TABLE III
TOTAL AND NET COST OF SERVICES
 As of December 31, 2020 and 2019

	Total Cost For Year Ended Dec. 31, 2020	Net Cost For Year Ended Dec. 31, 2020	Total Cost For Year Ended Dec. 31, 2019	Net Cost For Year Ended Dec. 31, 2019
Conservation of Natural Resources	\$ 720,307	\$ (651,293)	\$ 526,116	\$ (451,373)
Interest and Service Charges	80,261	(80,261)	89,379	(89,379)
Total Expenses	<u>\$ 800,568</u>	<u>\$ (731,555)</u>	<u>\$ 615,495</u>	<u>\$ (540,752)</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenue of \$561,845 and expenditures of \$641,220 for the year ended December 31, 2020. As of December 31, 2020 the unassigned fund balance of the District's general fund was \$(12,026) and total unassigned fund balance for the entire District's governmental funds was \$(117,600).

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2020, the District amended the general fund revenue and transfers in by increasing \$6,200 and amended the expenditures and transfer out budget by increasing \$23,200.

Actual revenue for the year ended December 31, 2020 was over budget by \$11,639.

Actual expenditures for the year ended December 31, 2020 was under budget by \$8,707.

CAPITAL ASSETS

Table IV shows the balances invested in capital assets, net of depreciation at December 31, 2020 and 2019.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 December 31, 2020 and 2019

	2020	2019
Land	\$ 2,921,017	\$ 2,921,017
Construction in Progress	66,024	20,011
Facilities	5,106,469	5,444,016
Projects	1,156,511	1,184,617
Total Net Capital Assets	<u>\$ 9,250,021</u>	<u>\$ 9,569,661</u>

This total represents a net decrease of \$319,640 in net capital assets from January 1, 2020. The decrease was due to depreciation during the year ended December 31, 2020. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

RUSH RIVER WATER RESOURCE DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 For the Year Ended December 31, 2020

	General Fund	Maintenance Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 79,983	\$ 243,396	\$ -	\$ -	\$ 323,379
Special Assessments	-	-	-	212,788	212,788
Intergovernmental	6,981	-	-	-	6,981
Interest Income	875	6,428	-	7,750	15,052
Miscellaneous	3,645	-	-	-	3,645
Total Revenues	\$ 91,484	\$ 249,824	\$ -	220,538	\$ 561,845
EXPENDITURES					
Current					
Conservation of Natural Resources	\$ 87,822	\$ 240,237	\$ -	\$ -	\$ 328,059
Reclassify Negative Interest	-	309	-	-	309
Capital Outlay	316	50,460	10,189	-	60,964
Debt Service					
Principal	-	-	-	175,000	175,000
Interest	-	-	-	73,603	73,603
Service Fees	-	-	-	3,285	3,285
Total Expenditures	\$ 88,138	\$ 291,006	\$ 10,189	251,888	\$ 641,220
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 3,346	\$ (41,183)	\$ (10,189)	(31,350)	\$ (79,375)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 25,200	\$ -	\$ -	-	\$ 25,200
Transfers Out	(25,200)	-	-	-	(25,200)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	-	\$ -
Net Change in Fund Balances	\$ 3,346	\$ (41,183)	\$ (10,189)	(31,350)	\$ (79,375)
Fund Balance - January 1	\$ 71,594	\$ 659,207	\$ 20,008	966,875	\$ 1,717,684
Fund Balance - December 31	\$ 74,940	\$ 618,024	\$ 9,820	935,525	\$ 1,638,310

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

RUSH RIVER WATER RESOURCE DISTRICT

Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

General Fund - this is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The obligated funds are used to account for the accumulation of resources to help finance a portion of costs of the Maple River Dam capital project. Most of the joint project costs are being paid by the Southeast Cass Water Resource District.

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

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

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

RUSH RIVER WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 7.12% of covered compensation. 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 member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

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

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

At December 31, 2020, the District reported a liability of \$72,760 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the Districts' share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was .002313 percent, which was a decrease of .000538 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$11,820. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 283	\$ 3,687
Changes of Assumptions	39,004	6,448
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	2,348	-
Changes in Proportion and Differences Between District		
Contributions and Proportionate Share of Contributions	1,242	6,181
District Contributions Subsequent to the Measurement Date	925	-
Total	\$ 43,803	\$ 16,316

\$925 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

RUSH RIVER WATER RESOURCE DISTRICT

Governance Communication – Continued

For the Year Ended December 31, 2020

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 16, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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